IMF Country Report No. 25/247

CHILE

August 2025

REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CHILE

In the context of the Review Under the Flexible Credit Line Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 26, 2025, following discussions with the officials of Chile on economic developments and policies underpinning the IMF arrangement under the Flexible Credit Line. Based on information available at the time of these discussions, the staff report was completed on July 17, 2025.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Chile.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR25/281

IMF Executive Board Concludes Mid-Term Review of the Flexible Credit Line Arrangement with Chile

FOR IMMEDIATE RELEASE

- The IMF completed today the mid-term review of Chile's qualification under the Flexible Credit Line (FCL) arrangement. The arrangement was approved on August 27, 2024, for an amount of about US$13.8 billion (equivalent to 600 percent of quota).
- Chile continues to qualify for the FCL by virtue of its very strong economic fundamentals and institutional policy frameworks, and sustained track record of very strong macroeconomic policies.
- In the context of the still elevated external risks, the authorities expressed a desire to maintain the current level of access and are committed to gradually lowering access conditional on external risk developments. The authorities intend to continue to treat the arrangement as precautionary.

Washington, DC – August 26, 2025: The Executive Board of the International Monetary Fund (IMF) completed today, the mid-term review of Chile's qualification under the Flexible Credit Line (FCL) arrangement.[1] The Executive Board reaffirmed Chile's continued qualification to access FCL resources.

The current two-year FCL arrangement for Chile was approved by the IMF's Executive Board on August 27, 2024 (see Press Release No. 24/309), in the amount of SDR 10.4658 billion (600 percent of quota, about US$13.8 billion).[2] The Chilean authorities reiterated their intention to continue to treat the arrangement as precautionary. The authorities intend to gradually exit the arrangement conditional on external risk developments.

Following the Executive Board's discussion on Chile, Mr. Nigel Clarke, Deputy Managing Director, made the following statement:

"The economy is broadly balanced and growing at its potential, supported by a pickup in mining exports and a recovery in consumption. The global trade tensions have not yet significantly impacted the Chilean economy. However, external risks have increased since the approval of the FCL arrangement in August 2024. As a small open economy, Chile's growth

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[1] The FCL was established on March 24, 2009, as part of a major reform of the Fund's lending framework (see Press Release No. 09/85). The FCL is designed for crisis prevention purposes as it provides the flexibility to draw on the credit line at any time during the period of the arrangement (one or two years), and subject to a mid-term review in two-year FCL arrangements. Disbursements are not phased nor conditioned on compliance with policy targets as in traditional IMF-supported programs. This large, upfront access with no ongoing conditions is justified by the very strong track records of countries that qualify for the FCL, which gives confidence that their economic policies will remain strong.

[2] US$ amounts have been calculated using the exchange rate as of June 27th, 2024 (1 SDR = US$1.315010), consistent with the Staff Report for the FCL request.

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outlook would be negatively affected by a global slowdown, a decline in copper prices, and capital flow volatility, all of which could be triggered by an escalation of trade tensions."

"Against this backdrop, the authorities have continued to implement very strong policies to maintain macroeconomic balance and enhance the economy's resilience, including through the Central Bank of Chile's new international reserve accumulation program. The authorities have appropriately focused on a prudent fiscal path to ensure debt sustainability, bringing inflation back to target, and supply-side measures to boost economic dynamism. Notably, the recently approved reform that aims to reduce the processing times for investment permits and improve regulatory predictability is a key step toward further strengthening Chile's investment environment."

"Chile's very strong institutional policy frameworks support the economy's resilience and capacity to respond to shocks. They include a credible inflation-targeting framework with a flexible exchange rate, a debt anchor and structural fiscal balance rule, and effective financial sector regulation and supervision."

"In this context, the Flexible Credit Line (FCL) arrangement will continue to provide a valuable buffer against tail risks and a signal of Chile's policy and institutional strengths. The authorities remain committed to treating the FCL arrangement as precautionary and gradually reducing access, in the context of their exit strategy, conditional on external risk developments."

INTERNATIONAL MONETARY FUND

CHILE

REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT

July 17, 2025

EXECUTIVE SUMMARY

Context: The economy is broadly balanced and growing at its potential. The global trade tensions have not yet significantly impacted the Chilean economy. However, slower growth is anticipated as the global economy decelerates. In this context, policy efforts are appropriately focused on a prudent fiscal path to ensure debt sustainability, bringing inflation back to target, and supply-side measures to boost economic dynamism, such as streamlining processes to approve investment permits. Presidential and parliamentary elections are scheduled for November 2025, and the new government will assume office in March 2026.

Risks: External risks have increased since the approval of the FCL arrangement in August 2024. Chile's growth outlook would be negatively affected by a global slowdown, a decline in copper prices, and capital flow volatility, all of which could be triggered by the escalation of trade tensions. Persistently high U.S. long-term interest rates could also further delay the recovery of Chile's real estate sector.

Flexible Credit Line (FCL): The FCL has provided a valuable buffer against tail risks and boosted market confidence by reinforcing Chile's policy and institutional strengths. Chile's 24-month FCL arrangement was approved on August 27, 2024, in the amount of SDR 10.4658 billion (600 percent of quota). The authorities intend to continue to treat the FCL as precautionary and gradually exit conditional on external risk developments. In a drawing scenario, the FCL would not be used for budget financing, consistent with Chile's institutional framework.

Qualification: In staff's view, Chile continues to meet the FCL qualification criteria specified under the Executive Board decision on FCL arrangements (Decision No. 14283-(09/29), adopted on March 24, 2009, as amended). Staff recommends that the Board complete this review that would allow Chile to make purchases, if needed, until the expiration of the FCL arrangement on August 26, 2026.

Approved By
Dora Iakova (WHD) and Bergljot Barkbu (SPR)

The report was prepared by a team comprising Andrea Schaechter (head), Si Guo, Myrto Oikonomou, Dmitry Vasilyev (all WHD), Jocelyn Boussard (SPR), and Tatsushi Okuda (MCM), with support from Natalia Martinez-Camelo and Nomuuntugs Tuvaan (WHD).

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CONTEXT

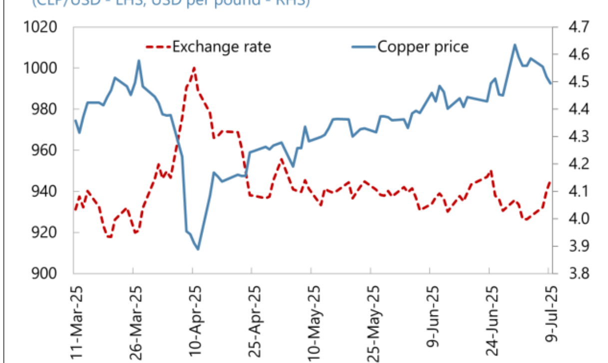
1. Chile is relatively well-positioned to deal with trade policy uncertainties, but further enhancing resilience remains important. As a small open economy with exports and imports totaling around 60 percent of GDP, Chile will be inevitably affected by the disruptions to global trade. Nonetheless, its broad network of free trade agreements, relatively low public debt, and a credible monetary policy framework with a flexible exchange rate provide important safeguards. Moreover, Chile's limited reliance on manufacturing exports reduces its vulnerability to potential disruptions of the global value chains. Despite this overall resilience, it is critical for the authorities to continue to strengthen their fiscal space and international reserve buffers, which are below their pre-pandemic levels. In the interim, the two-year FCL arrangement approved by the IMF Executive Board on August 27, 2024, has substantially augmented its ability to insure against tail risks at a time of heightened uncertainties. The Executive Board provided a very positive assessment of Chile's policies and institutional framework at the Article IV consultation in February 2025.

2. The trade tensions have also added momentum to Chile's pro-growth reform agenda, despite a fragmented political landscape. Even before the more volatile global environment, the policy focus had shifted from restoring the macroeconomic balance towards a structural agenda aimed at boosting medium-term growth. Over the past six months, two important reforms were adopted with broad-based support following a lengthy consultative process. The pension reform will raise pension savings and deepen the capital market. The streamlining of sectoral permitting is expected to accelerate investment. Efforts have also accelerated to strengthen regional and bilateral trade agreements and advance the development of new industries.

RECENT DEVELOPMENTS

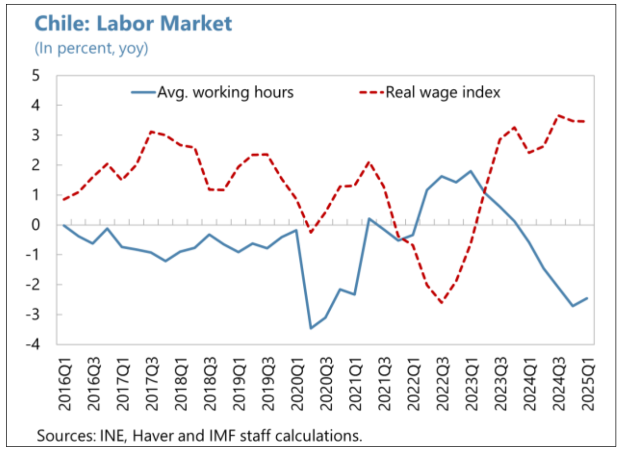
3. Economic activity remains resilient. The output gap is broadly closed. Real GDP expanded by 2.6 percent in 2024, slightly above the estimated potential growth rate of 2-2.5 percent, supported by the strong rebound of mining production and temporary factors such as the leap year. Real GDP grew by 2.3 percent (yoy) in 2025Q1, driven by the recovery of manufacturing, trade, and transportation sectors. On the expenditure side, after the adjustment during 2022-24, private consumption and imports picked up in 2025, and export growth continued to be strong, while investment, except in the mining and energy sectors, remained sluggish (Figure 1). High-frequency indicators suggest that the economy continued growing at a similar pace in Q2, supported by strong mining activities.

Chile: Exchange Rate and Copper Price
(CLP/USD - LHS; USD per pound - RHS)

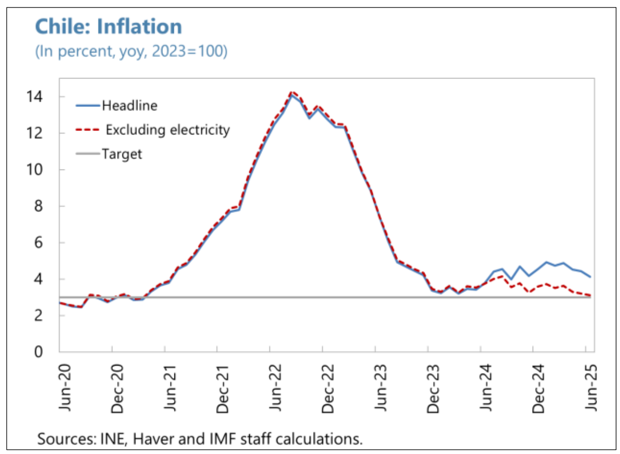


Sources: Central Bank of Chile and IMF staff calculations.

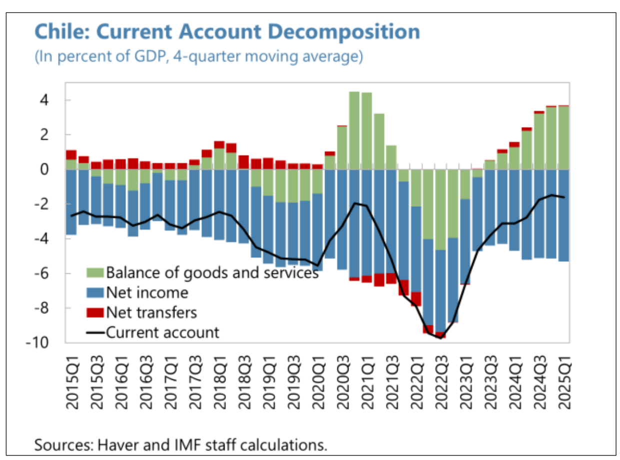
4. The labor market continues to experience a period of slack. The three-months moving average unemployment rate (seasonally adjusted) has hovered around 8.5 percent since early 2024 (Figure 1), above the 2010-19 average of 6.5 percent. Meanwhile, the real hourly wage rate rose by 3.6 percent (yoy) as of April 2025, largely reflecting the notable minimum wage increase in 2024 (4.3 percent in real terms) and the start of the gradual working hours reduction. The labor participation rate has broadly returned to the pre-pandemic levels.



5. Inflation resumed its downward trend following the completion of the legislated electricity tariff adjustment in February. After being close to the 3 percent target in May 2024, headline inflation rose temporarily, peaking at 4.8 percent in 2025Q1, largely driven by a 59 percent increase in electricity prices implemented between May 2024 and February 2025, offsetting the 2019-23 price freeze. This electricity price adjustment contributed an estimated 1.3 percentage points to inflation at the peak. Since April, headline inflation has eased, reaching 4.1 percent in June 2025, supported by a decline in core inflation, favorable import prices, and the dissipation of base effects from the electricity tariff hike. Core inflation declined in 2025 to 3.8 percent (yoy) as of June, reflecting broadly balanced domestic demand and limited exchange rate (yoy) variation. Two-year inflation expectations have been well anchored (Figure 3).



6. The current account balance continued to improve, supported by a strong export performance and higher copper prices. A broad-based increase in exports narrowed the current account deficit to 1.5 percent of GDP in 2024 (from 3.1 percent of GDP in 2023; Figure 2) which has remained nearly unchanged in 2025Q1. Continued strong exports offset a rebound in imports. Despite geopolitical tensions and the announced U.S.

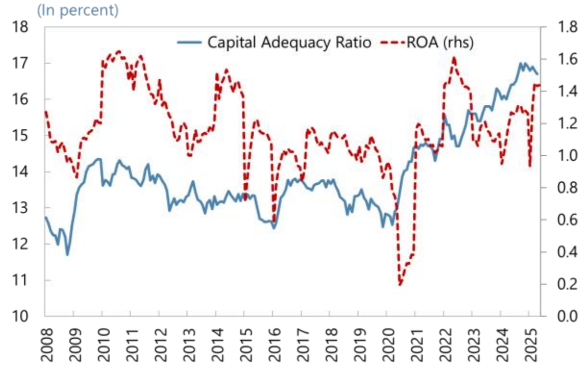


tariffs[1] that could weigh on global demand for copper, its price has remained resilient and in early July stood above its 2024 average. Market analysts consider this strength to reflect expectations of tight global supply, increasing sectoral demand from the green transition and increased defense spending in advanced economies.

7. **Revenue shortfalls led to a larger-than-budgeted fiscal deficit in 2024.** The headline deficit widened by 0.4 percentage points to 2.8 percent of GDP, nearly 1 percent of GDP higher than budgeted, despite notable expenditure containment in 2024H2 (Figure 4). Revenues underperformed, reflecting mainly lower-than-expected lithium prices and shortfalls in corporate income tax (CIT) collection, partly attributed to multiple pandemic-era tax policy changes that complicated revenue projections.

8. **The financial sector remains resilient.** Banks' capital and liquidity buffers are comfortably above regulatory requirements, and profitability is back to pre-pandemic levels (text chart and Figure 5). Households and corporate sector balance sheets are overall sound, though risks persist among smaller firms with government-guaranteed loans and in the construction and real estate sectors, where high housing prices and still-elevated mortgage rates continued to weigh on the residential housing market. Non-performing loan (NPL) ratios are slightly above pre-pandemic levels but have recently stabilized, with adequate provisions supported by strong collateral coverage. Except for a brief dip in April, following the U.S. tariff annoucement, financial markets remained stable (Figure 6). Since May, the peso-U.S. dollar exchange rate has fluctuated around its February-March level, while the local stock market index surged to a record high. Credit growth continued to be subdued mainly due to weak demand.

Chile: Capital Adequacy Ratio and Return on Assets
(In percent)



Sources: CEIC, CMF, and IMF staff calculations.

OUTLOOK AND RISKS

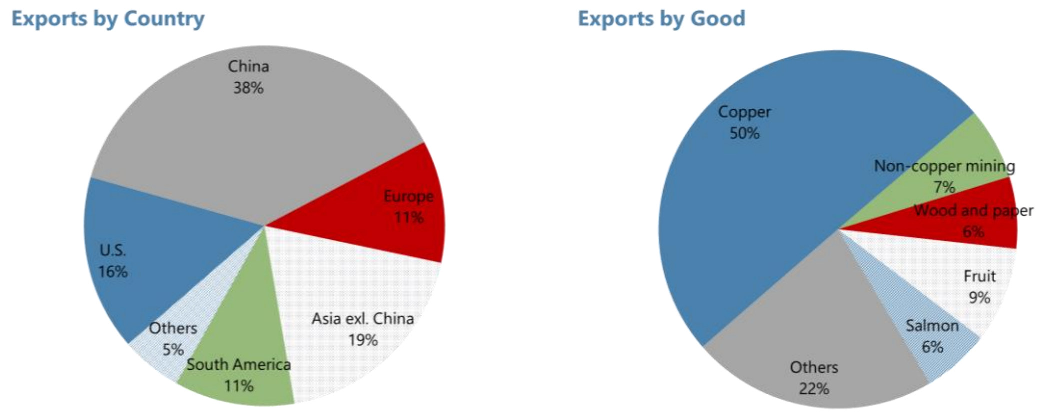
9. **Growth is projected to decelerate somewhat in the near term, driven by the unwinding of one-off factors, a weaker global outlook, and planned fiscal tightening.** In 2025 and 2026, the economy is anticipated to expand by 2.3 and 2.0 percent, respectively. Private consumption is expected to be the main growth driver as it continues to recover, while the contribution of net exports will narrow as imports rise and mining export growth moderates. The direct macroeconomic impact of the announced 10 percent tariff imposed by the United States on Chile is expected to be limited, given the relatively modest size of bilateral exports to the United States (4.7 percent of GDP

[1] The announcement, in early July, of a 50 percent tariff on U.S. copper imports, to take effect August 1, 2025, created short-term copper price volatility.

in 2024). The announced 50 percent U.S. tariff on copper imports is likely to have a limited impact on Chile's copper exports, given the U.S.'s small share of global copper consumption and the relatively low price elasticity of copper demand. However, weaker global growth due to trade frictions could have a more substantial negative impact on Chile's growth outlook starting in late 2025, given its high trade openness. Staff estimates the impact at around 0.3 percentage points over two years. Moreover, the planned and needed fiscal consolidation would weigh on domestic demand.

Chile: Goods Exports by Destination and Category in 2024

(In percent)



Sources: Central Bank of Chile and IMF staff calculations.

10. Inflation is projected to continue to decline, and the current account deficit is set to moderately widen as imports pick up in 2025-26. Inflation could approach the 3 percent target in 2026Q1, following the dissipation of the year-over-year effect of the electricity tariff hike in February 2026. Higher imports associated with the recovery in private consumption and increased mining sector investments are forecast to widen the current account deficit to 1.5-2 percent of GDP in 2025 before converging to around 3 percent of GDP in the medium term as mining export growth moderates.

11. External downside risks have increased since the approval of the FCL arrangement in August 2024. Potential disruptions to global trade and prolonged trade policy uncertainty could hurt Chile's near- and medium-term growth outlook through lower global demand, disruptions to the global value chain, and financial market volatility. Persistently high U.S. long-term interest rates could further delay Chile's real estate recovery. The External Economic Stress Index, which tracks copper prices, China's and the U.S.'s real GDP growth, global economic uncertainty, and external financial conditions (Box 1), indicates increased external risks relative to the time of 2024 FCL approval, mainly reflecting higher global uncertainty, consistent with the downside scenarios in the 2025 April IMF World Economic Outlook.

12. In case external downside risks materialize, contingent policy responses would buffer the impact. The authorities consider the floating exchange rate as the primary shock absorber. Monetary and macroprudential policies could be eased as appropriate, depending on inflation and financial market conditions. The authorities view proceeding with gradual structural fiscal adjustment important to substantiate debt sustainability while allowing automatic stabilizers to operate. Identifying medium-term fiscal consolidation measures and accelerating structural reforms would become more urgent.

13. Domestic risks are more contained. While concerns over crime and immigration remain and political polarization persists, the recent passage of the long-awaited pension reform has sent a positive signal regarding the political system's ability to address key socioeconomic challenges. Natural disasters, such as earthquakes and wildfires, remain a source of macro-relevant risks.

MACROECONOMIC POLICIES

14. The monetary policy stance is appropriately neutral. The Central Bank of Chile (BCCh) has kept the nominal policy rate at 5 percent since November 2023. Adjusted for expected inflation, the real policy rate is broadly within its estimated neutral range (0.5-1.5 percent), consistent with the broadly closed output gap and inflation near target when excluding the impact of electricity price hikes. Future policy adjustments should continue to be guided by their impact on the inflation outlook over the target horizon, as emphasized by the BCCh, while recognizing the inherent uncertainty and evolving nature of neutral rate estimates. In this conjuncture, the real policy rate should remain broadly neutral, while nominal rates could be cautiously lowered if inflationary pressures continue to ease. The main risk to the inflation outlook stems from the passthrough of peso exchange rate fluctuations driven by external factors such as copper prices and interest rates in the United States, as well as from a potential sharp increase in oil prices increases due to geopolitical tensions.

15. The authorities announced a more gradual, yet still ambitious, fiscal consolidation path, which requires additional efforts to achieve it. Following the revenue shortfall last year and the subsequent review of their revenue forecasting methods with IMF Technical Assistance, the budget office in April lowered the revenue outlook for 2025 by 1.4 percentage points compared to the budget and by around 1.3 percentage points for the medium term. Consequently, the government raised this year's structural deficit target to 1.6 percent of GDP, about 0.5 percentage points higher than in the budget, and delayed reaching a broadly balanced position by one year to 2028. The 2025 structural deficit target corresponded to a 1.4 percent of GDP headline deficit in the April Public Finance Report (text table). In addition to implementing the tax compliance law and mining royalty tax, the authorities announced corrective measures, in line with the 2024 reforms to the Fiscal Responsibility Law. The plan foresees savings for the central government from administrative actions, such as reducing public employee absenteeism and increasing fees for operational services, estimated by the authorities at 0.17 percent of GDP. They also seek to lower the deficit via legislative measures (e.g., proposed changes to student loans and reallocating unused school subsidy balances), aiming to yield another 0.25 percent of GDP in 2025. Given the uncertain timeline of the corrective measures, as well as staff assumptions of lower yield from the tax compliance law and higher execution of current spending, staff projects a headline deficit of 2.1 percent of GDP in 2025, which represents a notable consolidation pace from a cyclical and sustainability perspective. Over the medium term, additional efforts of about 1.5 percent of GDP would be needed to reach a broadly balanced position in 2028. Revenues from the tax compliance law could largely fill this gap, provided that the yields materialize as anticipated and no new spending initiatives are introduced.

Chile: Authorities' and Staff's Fiscal Projections

(In percent of GDP unless indicated otherwise)

	2024	2025	2026	2027	2028	2029
Authorities						
Structural fiscal balance	-3.3	-1.6	-1.4	-0.7	-0.2	0.1
Headline fiscal balance	-2.8	-1.4	-1.2	-0.7	-0.3	-0.1
Total revenues	21.6	22.9	22.9	23.2	23.5	23.4
Non-mining tax revenues	16.8	17.1	17.5	17.9	18.4	18.5
Private mining tax revenues	1.1	1.8	1.6	1.4	1.3	1.2
Total expenditures	24.4	24.3	24.1	23.9	23.8	23.5
Public debt	41.7	42.3	43.0	42.5	41.8	40.0
Copper price (USD cents/lb)	415	426	428	433	437	437
Real GDP (percent change)	2.6	2.5	2.3	2.2	2.0	2.0
Staff						
Structural fiscal balance	-3.2	-2.4	-1.7	-1.2	-0.9	-0.9
Headline fiscal balance	-2.8	-2.1	-1.5	-1.2	-0.9	-0.9
Total revenues	21.6	22.6	23.0	23.1	23.1	23.0
Non-mining tax revenues	16.4	16.7	17.2	17.4	17.5	17.5
Private mining tax revenues	1.1	1.8	1.7	1.6	1.5	1.4
Total expenditures	24.4	24.7	24.5	24.3	24.0	23.9
Unspecified measures		0.0	-0.2	-0.5	-0.9	-1.0
Public debt	41.7	42.5	43.7	44.1	44.3	44.5
Copper price (USD cents/lb)	415	433	437	439	440	441
Real GDP (percent change)	2.6	2.3	2.0	2.3	2.3	2.3

Sources: Informe de Finanzas Publicas April 2025, and IMF staff projections.

Note: Authorities' projections include corrective actions.

16. A landmark pension reform was approved in January 2025 but comes with fiscal costs. The reform will gradually increase the employer contribution rate by 7 percentage points, adding to the 10 percent employee contribution. To improve the adequacy of self-financed pensions, 4.5 points will go to individual accounts. Meanwhile, the solidarity pillar is also strengthened as 2.5 points will fund the Social Security Fund of which 1.0 point will address the gender life expectancy gap, and 1.5 points will fund current pensions as a reimbursable contribution to individual accounts with interest. The reform also introduces nonparametric changes to enhance the competition of private pension funds and improve coverage for the self-employed and unemployed. Additionally, the minimum guaranteed pension (PGU) was raised by 16.7 percent in nominal terms and indexed to inflation. The annual fiscal costs of the reform, stemming from a lower tax base, higher public pension contributions, and higher PGU, are estimated by the authorities to reach about 1 percent of GDP in the long term and are incorporated in staff projections. In particular, the broad coverage of the PGU and the lack of a link between retirement age and life expectancy could pose long-term fiscal risks and will need to eventually be addressed.

17. Other important efforts are under way for a more dynamic and greener economy. To boost investment, the authorities aim to reduce permit approval times by one third and they focus on four areas: sectoral permits and authorizations, environmental evaluations, maritime concessions, and modernization of cultural heritage legislation. The government has also intensified efforts to strengthen its already broad network of trade agreements, with recent examples including the agreements under negotiation with India and the UAE. Additionally, the government has set near-term quantitative targets for developing emerging sectors where Chile could have a comparative advantage: clean and competitive mining, lithium, renewable energies, green hydrogen, digital economy, and tourism. Further progress can also be made by enhancing R&D and increasing female labor participation through improved access to quality childcare.

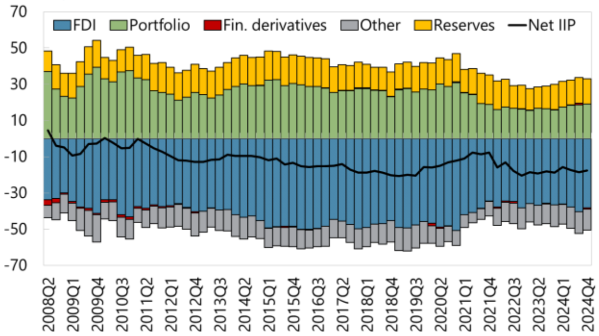
18. The authorities are proactively updating the strong financial sector regulatory and supervisory framework. The smooth implementation of Basel III requirements has strengthened the resilience of the financial sector by improving banks' solvency and liquidity. The BCCh updated its countercyclical capital buffer (CCyB) framework, setting a neutral level at one percent of risk-weighted assets with a gradual, state-contingent implementation plan for banks. The BCCh's stress tests in May 2025 confirm the banking sector's capacity to withstand a range of shocks. In the context of local financial markets remaining shallower than pre-pandemic, the ongoing implementation of the Financial Market Resilience Law aims to strengthen market resilience. Key measures include: developing the interbank repo market; enabling the BCCh to provide current/settlements accounts and liquidity facilities to nonbanks to enhance its capacity to respond to financial distress; and allowing the Financial Market Commission (CMF) to strengthen the liquidity regulations of mutual funds. The recently enacted Fintech Law brings fintech activities within the regulatory perimeter. Moreover, ongoing initiatives to introduce an industry-funded deposit insurance and bank resolution framework, along with upcoming regulations to enhance the integrated risk management framework and corporate governance standards for banks, would further strengthen financial sector resilience.

REVIEW OF QUALIFICATION

19. In staff's assessment, Chile continues to meet the qualification criteria for the FCL arrangement. As noted in the 2024 Article IV consultation staff report and endorsed by the Executive Board, Chile's policies continue to be very strong, underpinned by sound fundamentals and robust institutional policy frameworks. The external position is sustainable, the sovereign access to international capital markets remains favorable, and official reserves are adequate, supported by several mitigating factors. Public debt is sustainable and supported by a strong fiscal framework. The BCCh has demonstrated credibility in managing inflationary shocks, with inflation expectations well-anchored. The financial sector is sound and effectively supervised. Moreover, the authorities remain committed to maintaining Chile's track record of very strong policies going forward. Staff assesses that Chile meets all the FCL qualification criteria (Text Table 1) and does not see substantive changes in qualification since the approval of the current arrangement in August 2024.

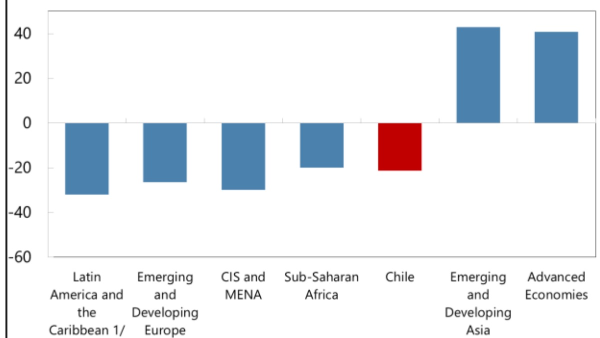
20. Sustainable external position. The 2024 Article IV consultation assessed the external position as moderately weaker than implied by medium-term fundamentals and desirable policies. Subsequent data show that the current account deficit narrowed more than projected in 2024, to 1.5 percent of GDP (versus the projected 2.3 percent of GDP). Chile's flexible exchange rate regime has helped cushioned successive external fluctuations in the past. Moreover, at minus 17 percent of GDP at end-2024, Chile's net international investment position compares favorably to most emerging markets. External debt stood at 74.4 percent of GDP in 2024 and is robust to standard shocks (Annex I).

Chile: Net International Investment Position
(In percent of annual GDP)



Sources: Central Bank of Chile and IMF staff calculations.

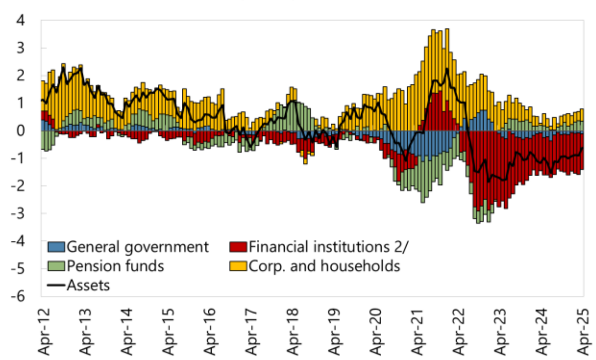
Chile & Others: Net International Investment Position, 2024
(In percent of GDP)



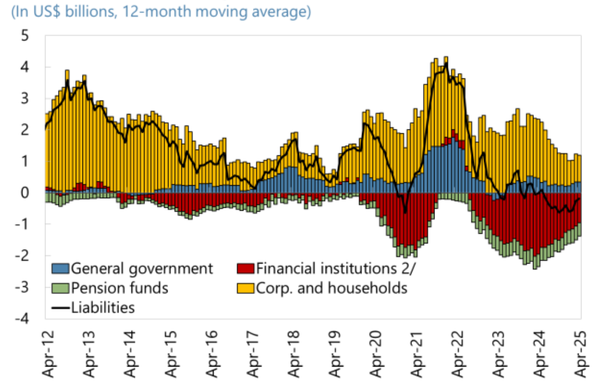
Sources: WEO and IMF staff calculations.
1/ Excluding Chile.

21. Capital account dominated by private flows. Over 2022-24, private flows accounted for 77.0 percent of total (FDI, portfolio, and other) asset flows and 91.2 percent of total liability flows. Chile's international investment position (IIP) liabilities are dominated by foreign direct investment (FDI), averaging 159 percent of GDP over 2022-24, while the private sector accounted for about 87 percent of total IIP assets and about 91 percent of total IIP liabilities. The dominance of private flows continued in 2025, including after the U.S. tariff announcement in April.

Chile: Gross Outflows by Institution 1/
(In US$ billions, 12-month moving average)



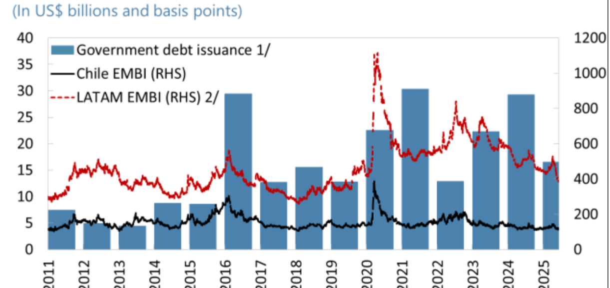
Chile: Gross Inflows by Institution 1/
(In US$ billions, 12-month moving average)



Sources: Central Bank of Chile and IMF staff calculations.
1/ The financial account records transactions between residents and nonresidents. Net acquisition of financial assets represents outflows. Net incurrence of liabilities represents inflows.
2/ Financial institutions include Central Bank of Chile, private banks, and other financial institutions.

22. Long track record of steady sovereign access to international capital markets at favorable rates. Chile has enjoyed uninterrupted access to international capital markets for several decades. It maintains investment grade status according to the three major rating agencies with consistently one of the lowest sovereign bond spreads among emerging markets. EMBIG and 5-year CDS spreads averaged about 125 and 61 basis points during January-June 2025, respectively. Although EMBIG and CDS spreads

Chile: Government Debt and EMBI Spreads
(In US$ billions and basis points)



Sources: Bloomberg, Ministry of Finance, and IMF staff calculations
1/ Government plan for 2025.
2/ Includes Argentina, Barbados, Bolivia, Brazil, Belize, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Jamaica, Mexico, Panama, Peru, Paraguay, Suriname, El Salvador, Trinidad and Tobago and Uruguay.

temporarily increased in April after the tariff announcement, they returned to pre-announcement levels by early May. The central government issued external debt in each of the past five years, with a cumulative amount equivalent to about 1,500 percent of quota, well above the 50 percent indicative qualification threshold.

23. Relatively comfortable international reserve position. Gross international reserves averaged 82.8 percent of the Fund's reserve adequacy metric (ARA) between end-2021 and end-2024 and stood at 83 percent at end-June 2025 (or about 14 percent of GDP), below the recommended range of above 100 percent. As part of its gradual FCL exit strategy, and when market conditions are conducive, the BCCh aims to adjust the current composition of its external liquidity buffers—currently around 20 percent of GDP, including international reserves and credit lines—by resuming a gradual reserve accumulation program. In line with previous reserve accumulation programs, the new program will follow high transparency standards, be robust to changes in external risks, and avoid significant distortions in the FX market. Overall, staff assesses reserves to be adequate due to several mitigating factors which are largely unchanged since the FCL approval:

- The government has usable liquid FX assets (US$5.3 billion as of May 2025), including US$3.8 billion in the economic and social stabilization fund (FEES) (US$1.3 billion less than at FCL approval due to debt management operations) and US$1.5 billion cash (US$1.1 billion more than at FCL approval), equivalent to an improvement in reserve coverage of up to 9.6 percentage points.

- Around a fifth of short-term external debt represents intercompany loans from foreign direct investors to local firms (US$9 billion as of 2025Q1).[2] These loans are a very stable source of funding with a low probability of resulting in FX funding needs.

- More than 70 percent of banks' short-term external debt (US$16.5 billion as of 2025Q1)[3] is covered by banks' liquid foreign assets (US$11.8 billion as of 2025Q41)[4] which significantly reduces banks' potential short-term FX funding needs.

- Reserves are complemented with two FX liquidity lines totaling US$8.05 billion: a credit line with FLAR (US$1.25 billion) and a bilateral 5-year, renewable period swap facility with the PBOC (US$6.8 billion) without restrictions on the use of the RMBs. The BCCh is also a subscriber of the Fed's FIMA repo facility, which allows for the temporary exchange of U.S. Treasury securities held with the Fed for U.S. dollars (US$26 billion).

- The authorities remain strongly committed to a flexible exchange rate.

[2] Includes foreign direct investors' short-term external debt stock of US$3.7 billion as of 2025Q1 and US$5.3 billion of foreign direct investors' long-term debt due in the next twelve months.

[3] Includes banks' short-term external debt stock of US$11.3 billion as of 2025Q1 and US$5.3 billion of banks' long-term debt due in the next twelve months.

[4] By regulation, banks' short FX positions due in thirty days cannot exceed long positions by more than banks' capital. In the non-bank part of the financial system, institutional investors (i.e., pensions funds) have a positive net foreign asset position.

24. Sustainable public debt position and sound public finances. The 2024 Article IV consultation found public debt to be sustainable with high probability, and the debt trajectory robust to standard shocks (Annex II). The planned gradual fiscal consolidation, guided by the structural fiscal balance rule, would stabilize gross public debt just below the authorities' prudent debt ceiling of 45 percent of GDP. However, cumulative fiscal measures of up to 1.5 percent of GDP will be needed to achieve the medium-term fiscal path, unless the implementation of the tax compliance bill provides the authorities' expected increase in structural revenues. Two-thirds of public debt is denominated in domestic currency, with average external debt maturity above ten years. Liquidity risks are mitigated by assets in the sovereign wealth and pension reserve funds, and the large domestic banking and rising pension fund sectors that can absorb sovereign issuances in case of an abrupt tightening of global financial conditions. The 2021 Fiscal Transparency Evaluation concluded that Chile has strong fiscal institutions and sound fiscal transparency practices, which were further strengthened by the Fiscal Responsibility Law implemented in 2024, e.g. by substantiating the monitoring role of the Autonomous Fiscal Council.

25. Low and stable inflation in the context of a sound monetary and exchange rate policy framework. Chile maintains a well-functioning inflation-targeting framework with clear policy guidance. During 2020-2024, inflation (yoy) averaged 6.1 percent. This higher-than-targeted average inflation was mainly attributed to a temporary spike between April 2022 and March 2023, fueled by higher global inflation, shipping costs, and peso depreciation, and compounded by a very strong cyclical position. The BCCh raised the monetary policy rate decisively during 2021-22 and inflation declined to a level close to the 3-percent target by May 2024 before the upward adjustment in electricity prices. Inflation expectations have remained well-anchored, and market participants view the policy framework as credible and well communicated. The BCCh maintains a small negative equity in 2024, which neither compromises its policy solvency nor requires immediate recapitalization. The 2021 Transparency Review underscored BCCh's high standards of policy analysis, conduct, and independence.

26. Sound financial system. The financial sector is sound overall. Despite vulnerabilities in a few sectors such as real estate, there are no solvency concerns threatening systemic stability. Banks' capital adequacy and liquidity buffers are comfortably above regulatory requirements. Stress tests performed by the authorities also confirm that financial stability is well guarded. The smooth implementation of Basel III requirements has strengthened buffers in the banking sector. The adoption of the positive neutral counter-cyclical capital buffer will enhance resilience.

27. Effective financial sector supervision. The 2021 FSAP assessed the banking supervisory framework as robust, and the 2024 Article IV consultation did not find concerns that would substantially impact effective financial supervision. The CMF is capably staffed with expertise in monitoring individual risks. Nonetheless, granting CMF its budgetary independence would help ensure that its budget would remain adequate for the expanding responsibilities such as fintech and cybersecurity. The authorities are actively working to implement the recommendations from the 2021 FSAP, with significant progress achieved.[5]

Text Table 1. Chile: Summary of Qualification Assessments

	2025 Mid-term Review[1]	2024 FCL Request[1]	2023 Mid-term Review[1]
1. A sustainable external position (EBA assessment at least "moderately weaker").	Moderately weaker.	Moderately weaker.	Moderately weaker.
2. A capital account dominated by private flows (share of private flows in total capital flows>50 percent, on average over the last three years).	77 percent of asset flows and 91 percent of liability flows.	72 percent of asset flows and 81 percent of liability flows.	72 percent of asset flows and 82 percent of liability flows.
3. A track record of steady sovereign access to sovereign markets at favorable terms (public sector bonds issued or loans disbursed in international markets in at least 3 of the last 5 years; cumulative amount during the last 5 years>50 percent of the country's quota at the Fund).	1,500 percent of quota.	1,500 percent of quota.	1,400 percent of quota.
4. A comfortable reserve position (reserves>100 percent of ARA metric, on average over three (the current and the two previous years).[2]	83 percent.	83 percent.	82 percent.
5. Sound public finances (debt sustainable with high probability).	Debt is sustainable with high probability.	Debt is sustainable with high probability.	Debt is sustainable with high probability.
6. Low and stable inflation (inflation in single digits in the last 5 years preceding qualification).	6.1 percent.	5.8 percent.	5.4 percent.
7. Sound financial system (the average capital adequacy ratio for the banking sector regulatory thresholds; no significant solvency risks or recapitalization needs).	Banks' capital adequacy ratio stood at 16.7 percent in April 2025, comfortably above the regulatory minimum. No significant solvency risks or recapitalization needs.	Banks' capital adequacy ratio stood at 16.1 percent in February 2024, comfortably above the regulatory minimum. No significant solvency risks or recapitalization needs.	Banks' capital adequacy ratio stood at 15.4 percent in April 2023, comfortably above the regulatory minimum. No significant solvency risks or recapitalization needs.
8. Effective financial sector supervision (no substantial concerns regarding the supervisory framework).	No substantial concern in supervisory framework.	No substantial concern in supervisory framework.	No substantial concern in supervisory framework.
9. Data transparency and integrity (an SDDS subscriber or has made satisfactory progress toward meeting the SDDS requirements).	SDDS Plus subscriber.	SDDS Plus subscriber.	SDDS Plus subscriber.

[1] Reported indicators are those available at the time of the FCL request and FCL review, respectively.
[2] Staff assesses reserves to be adequate due to several mitigating factors: (i) sizable usable FX assets (US$5.3 billion as of May 2025), (ii) one fifth of short-term debt is in the form of intercompany loans which are a stable source of funding, (iii) more than 70 percent of bank's short-term external debt is covered by bank's liquid FX assets, (iv) Chile has access to FX liquidity lines totaling US$8.05 billion, (v) the authorities remain strongly committed to a flexible exchange rate.

[5] See Annex X in IMF Country Report No. 2025/037.

28. The quality of Chile's institutions relevant to FCL qualification is very strong. Based on IMF staff assessment and informed by recent Article IV consultations, Chile's ability to respond to shocks is not hampered by governance and corruption vulnerabilities. Moreover, the 2021 Fiscal Transparency Evaluation assesses positively its fiscal budgeting and reporting practices. There is already a strong Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervisory framework for the financial sector. Coupled with the execution of 2023-2027 National AML/CFT Strategy, the recent extension of AML/CFT coverage to non-financial sectors[6] is expected to bolster the detection and prevention of illegal transactions, thereby addressing deficiencies identified in the 2021 AML/CFT Mutual Evaluation Report. Moreover, the implementation of the Fintech Law further enhances financial integrity.

29. Data transparency and integrity. Since March 2020, Chile is an adherent to the Fund's Special Data Dissemination Standard (SDDS) Plus—the highest tier of the IMF's Data Standards Initiatives. Data provision is adequate for surveillance.

STAFF APPRAISAL

30. Chile continues to meet all the qualification criteria for an FCL arrangement. Chile has very strong fundamentals and policy frameworks, and a sustained track record of implementing very strong policies that have supported the country's resilience in the face of large shocks. This assessment was shared by the Executive Board in February 2025 in the context of the 2024 Article IV consultation with Chile. Staff recommends the completion of the review under the FCL arrangement for Chile.

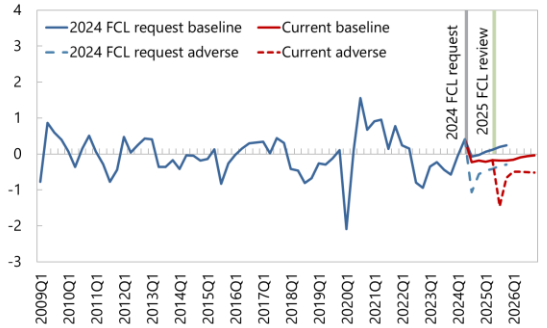
31. Amid heightened external risks, the access level remains appropriate, supporting efforts to rebuild resilience and gradually reduce access as external conditions allow. The FCL has provided a valuable signal about the strength of Chile's policy and institutional frameworks as well as their commitment to maintaining them in the future. The higher external risks since the approval of the FCL arrangement justify the authorities' intention to maintain the access at 600 percent of quota. Nonetheless, the authorities intend to continue treating the FCL as precautionary and remain committed to strengthening their own external buffers, paving the way for a gradual reduction of the access level when external conditions permit. As part of their exit strategy, the authorities continue to strengthen the resilience to external shocks by deepening capital markets in the context of implementing the recent pension reform, finalizing the new provision for central bank liquidity access by non-bank financial institutions, developing the repo market, and advancing the bank resolution framework. In this context, it will also be important for the BCCh to resume the accumulation of international reserves to strengthen external buffers.

[6] See Circular N°62, Annex, and the Impact Report.

Box 1. Chile: External Economic Stress Index

The External Economic Stress Index (EESI) summarizes Chile's exposure to external shocks. The EESI is based on four variables—standardized around their mean—which capture Chile's external risks: U.S. and China real GDP growth to proxy for risks to exports, the change in the copper price to proxy for risks to the copper industry including inward FDI, and the emerging market volatility index (VXEEM) as well as the (detrended) 10-year U.S. Treasury yield to proxy for changes to global financial conditions. Lower values indicate higher stress.[1]

External stress, as measured by the EESI, increased in the second half of 2024 and the first half of 2025. External stress is higher than that envisaged at the time of the 2024 FCL request, driven by increased emerging market volatility and, to a lesser degree, a smaller-than-expected copper price increase. In the first half of 2025, the rise in U.S. yields kept stress above average, despite a copper price rally, while emerging market volatility increased further following the April tariffs announcement. Since April 9th, the VXEEM index has decreased but, as of June 2025, remains elevated.



Sources: Central Bank of Chile and IMF staff calculations.

Under the baseline scenario, external stress is expected to gradually fall to around historical average levels. The baseline scenario broadly follows the April 2025 WEO "reference" scenario.[2] External stress is projected to remain elevated but decrease during the rest of 2025, reflecting a projected decline in U.S. yields. From 2026Q1 onward, external stress is expected to stabilize around historic average levels due to the scenario's stable outlook for copper prices, growth in China and the U.S., and financial conditions. However, this trajectory could be highly sensitive to fluctuations in copper prices, U.S. yields and the VXEMM index, as observed in April.

An adverse scenario shows that Chile continues to face elevated external risks. This scenario aligns with the downside scenario from the April 2025 WEO, which projects a decline in U.S. and China growth in 2025 and 2026, and an increase in the U.S. long-term yield in 2025 followed by a decrease in 2026. It also assumes a decline in the price of copper and an increase in emerging market volatility.[3] The text chart suggests that Chile faces external risks above the level observed at the time of the 2024 FCL request.

[1] Chile's EESI is computed using the following unchanged weights: (i) output growth in the U.S. and China (0.15); (ii) copper price change (0.35); (iii) the VXEEM index (0.25); and (iv) U.S. long-term yield (0.25). The U.S. long-term yield is detrended. The choice of the weights draws on the balance of payments and international investment position data, expressed as a share of GDP, and normalized.

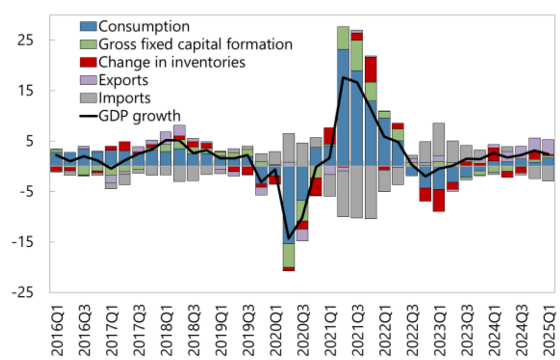
[2] See the description of the April 2025 WEO scenarios in World Economic Outlook, April 2025: A Critical Juncture amid Policy Shifts, Chapter 1.

[3] The adverse scenario makes the following assumptions: (i) a decline of 1.6 percentage points in 2025 and 2026 of the average of U.S. and China growth relative to the baseline (in annual terms); (ii) a 15 percent decline in the copper price relative to the baseline; (iii) a two standard deviation increase in the VXEEM index relative to the baseline; and (iv) an increase in U.S. yields by 0.05 percentage points in 2025 and a decrease by 0.2 percentage points in 2026 relative to the baseline (in annual terms). Assumptions (i) and (iv) are in line with the April 2025 WEO downside scenarios on increased global divergence, a trade war, an increase in global uncertainty, and tighter global financial conditions. Assumptions (ii) and (iii) are identical to the adverse scenario at the 2024 FCL request.

Figure 1. Chile: Economic Activity and Labor Market

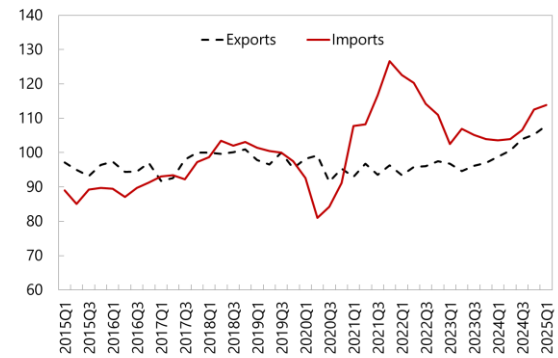
After the overheating during 2021-22, growth has returned to its potential pace since 2024, …

Contributions to Real GDP Growth
(In percentage points, yoy, S.A.)



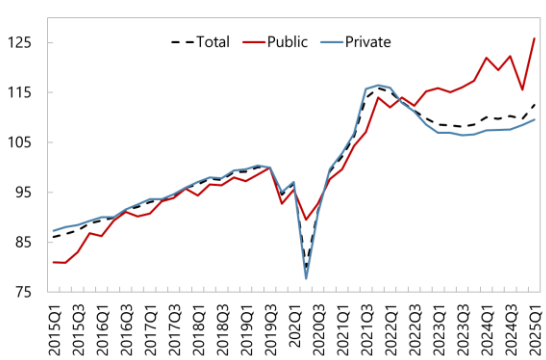
…supported by contributions from net exports, …

Exports and Imports of Goods and Services
(S.A. - 2019Q3=100)



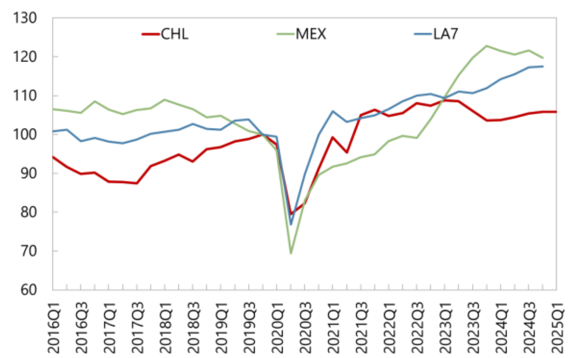
… sustained public consumption growth, and the recovery in private consumption.

Real Domestic Consumption
(S.A. - 2019Q3=100)



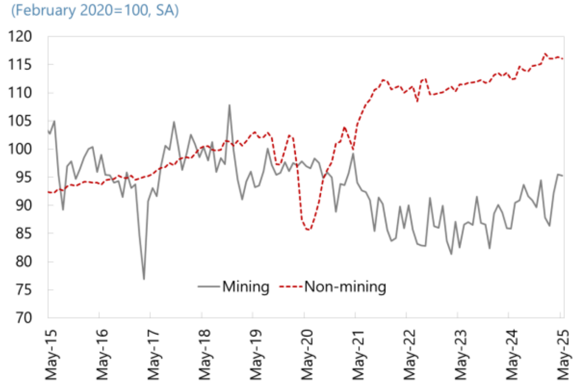
Investment growth remains sluggish, partly reflecting the weak recovery of the housing sector.

Real Gross Fixed Capital Formation
(Index, 2019Q4 = 100)



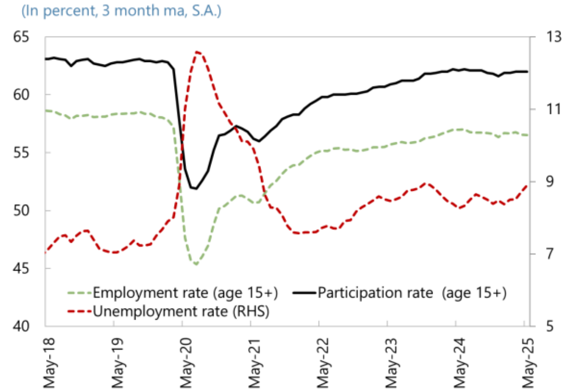
On the supply side, mining activity has recovered from its pandemic-era low.

Monthly Economic Activity Index IMACEC
(February 2020=100, SA)



Unemployment remained largely unchanged over the past 12 months, higher than pre-pandemic levels.

Labor Market
(In percent, 3 month ma, S.A.)

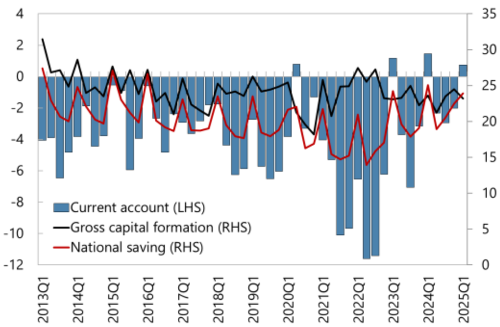


Sources: Central Bank of Chile, Ministry of Finance, INE, SONAMI, Haver Analytics, and IMF staff calculations.
Note: The IMACEC is a proxy for real GDP levels estimated by the BCCh at monthly frequency.

Figure 2. Chile: External Sector

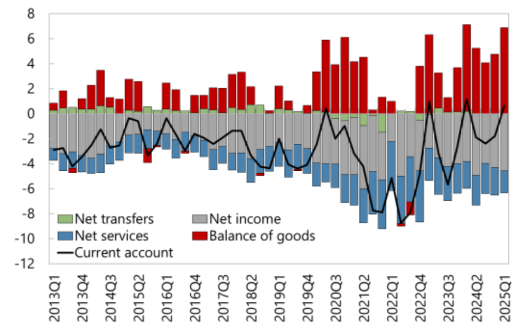
The current account deficit continued to narrow in 2024 and 2025Q1…

Savings, Investment, and the Current Account
(In percent of quarterly GDP)



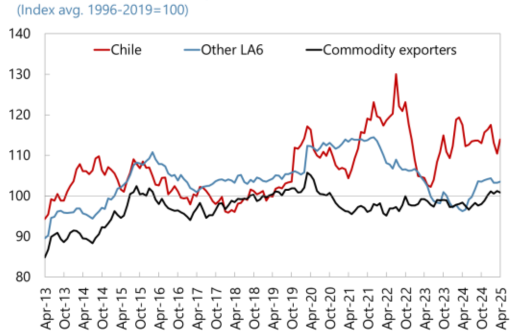
…largely owing to an increase in the balance of goods amid sluggish imports and strong copper exports.

Current Account Decomposition
(In billions of U.S. dollars)



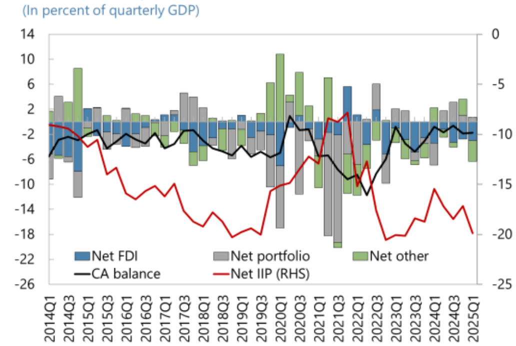
As the macro imbalances were corrected, the REER was broadly stable since late 2023.

Real Effective Exchange Rate 1/
(Index avg. 1996-2019=100)



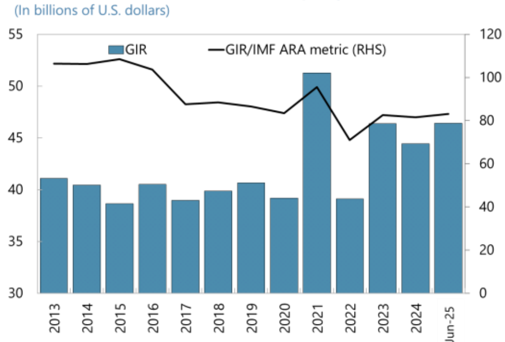
The net IIP reached -20 percent of GDP in 2025Q1.

Balance of Payments and IIP 2/
(In percent of quarterly GDP)



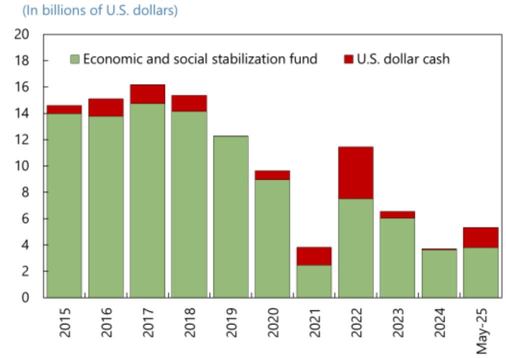
Gross international reserves are still below 100 percent of the ARA metric…

Gross Reserves and Reserve Adequacy Metric 3/
(In billions of U.S. dollars)



…and additional FX assets held by the government (not counted as reserves) declined.

Government Liquid FX Assets
(In billions of U.S. dollars)

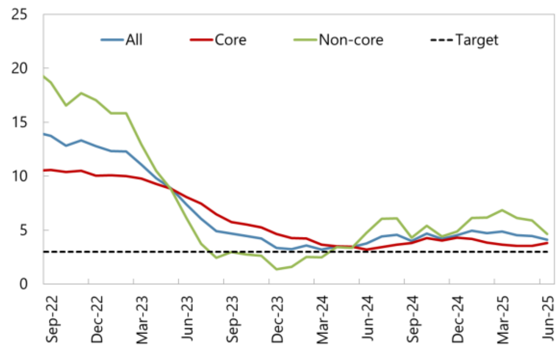


Sources: Central Bank of Chile, DIPRES, Haver Analytics, and IMF staff calculations.
1/ LA6 includes Brazil, Chile, Colombia, Mexico, Peru, and Uruguay. Commodity exporters include Canada, New Zealand, and Australia.
2/ As percent of four-quarter rolling GDP.
3/ As percent of the IMF reserve adequacy metric. See Assessing Reserve Adequacy, IMF.

Figure 3. Chile: Inflation and Monetary Policy

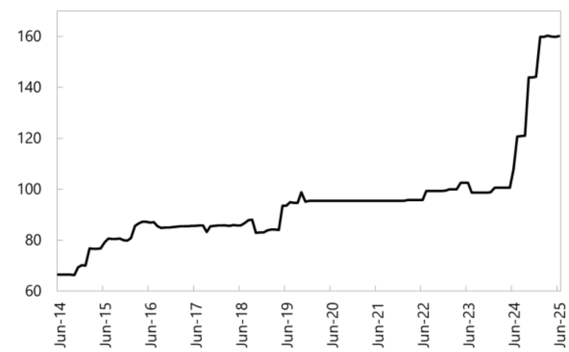
Headline inflation remained above target, largely explained by the electricity price hikes.

Inflation
(In percent, NSA, yoy)



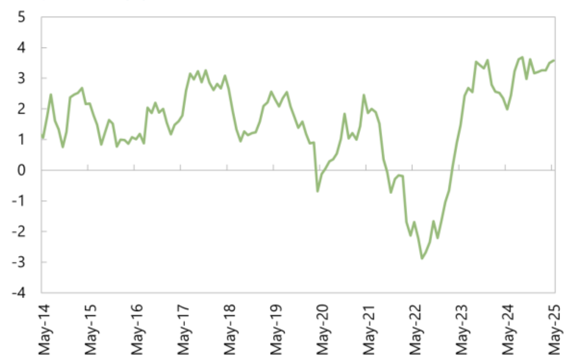
Electricity prices, representing 2.2% of the CPI basket, rose by 59% between May 2024 and February 2025.

Electricity Price
(NSA, 2023=100)



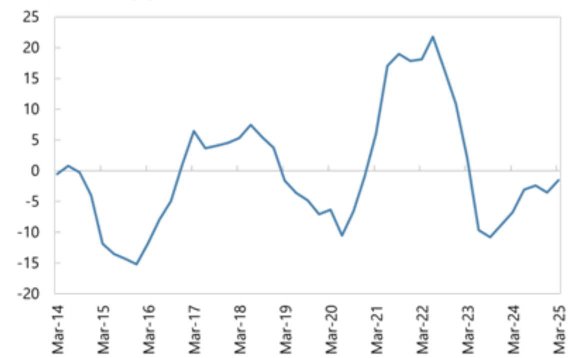
While hourly real wage growth remained strong due to minimum wage and reduced weekly working hours, …

Real Wage Growth Rate
(In percent, SA, yoy)



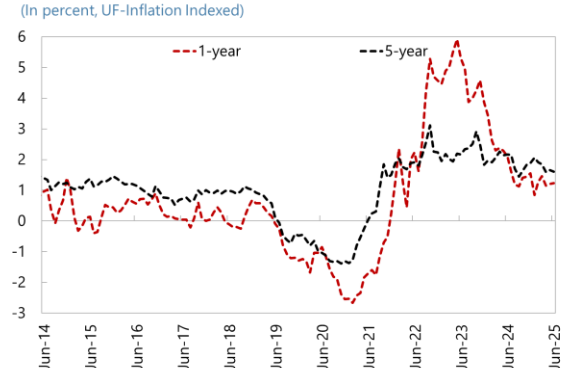
… the continued decline in import prices (in USD) supported the disinflation process.

Import Price Change
(In percent, SA, yoy)



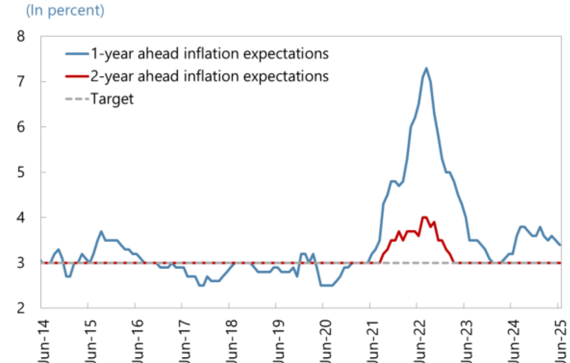
Long-term real interest rates further declined.

Real Interbank Swap Lending Rate
(In percent, UF-Inflation Indexed)



Two-year inflation expectations have been close to the central bank's inflation target for most of the time.

Inflation Expectations at 1 and 2 Years
(In percent)

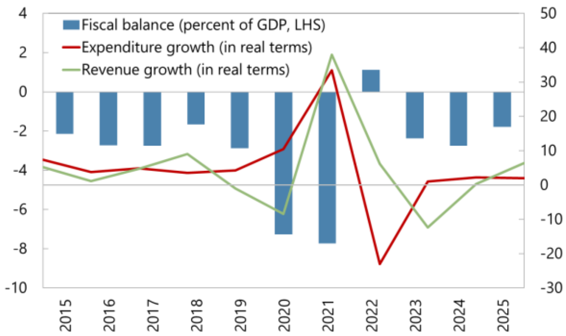


Sources: Central Bank of Chile, Haver Analytics, and IMF staff calculations.

Figure 4. Chile: Public Finances

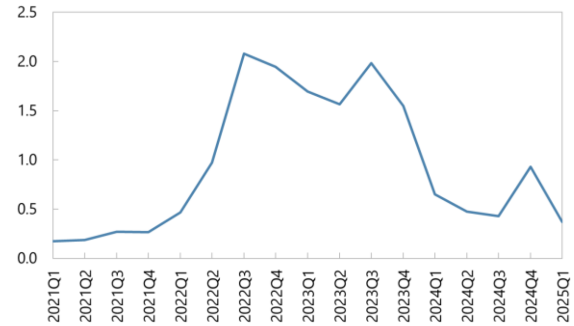
Despite spending containment, the fiscal deficit widened in 2024 due to revenue underperformance.

Fiscal Balance, Expenditure and Revenue
(In percent, yoy)



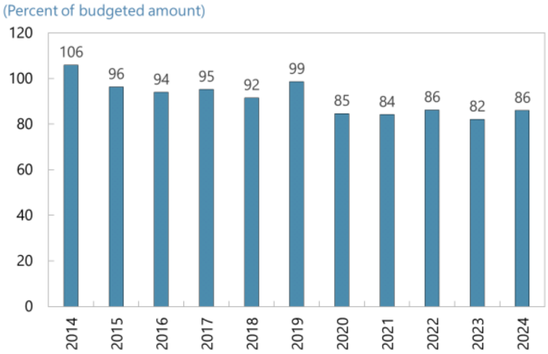
Revenue shortfalls could be attributed to lower lithium revenues and lower-than-budgeted CIT collections.

Property Income (Including Lithium)
(Property income as percent of GDP)



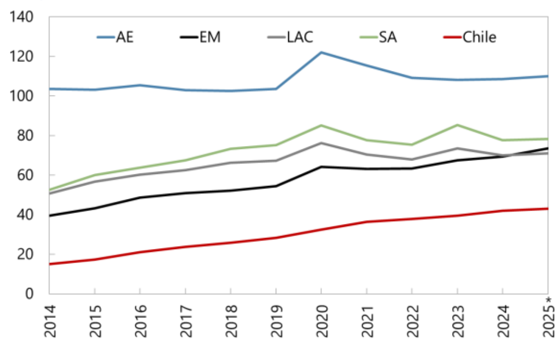
Capital execution increased in 2024 but remained lower than pre-pandemic levels.

Capital Spending Execution
(Percent of budgeted amount)



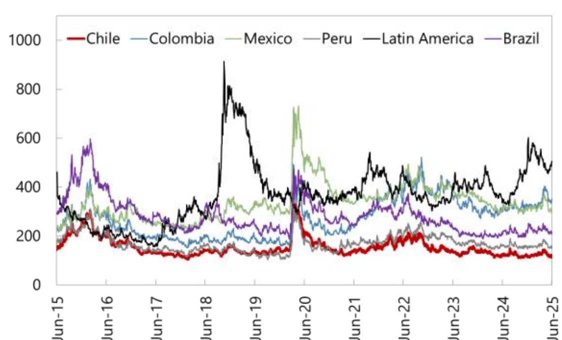
Chile's gross debt-to-GDP ratio remains relatively low by international standards, and…

General Government Gross Debt 1/
(In percent of GDP)



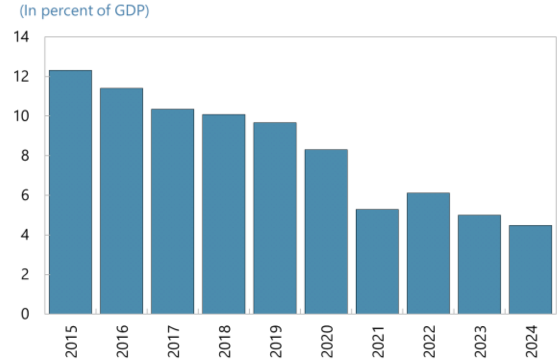
…the government continues to borrow at favorable rates.

EMBI Spreads
(Basis points)



However, Treasury assets have declined since the pandemic.

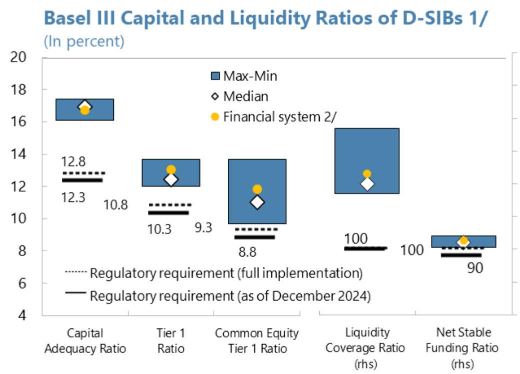
Treasury Assets
(In percent of GDP)



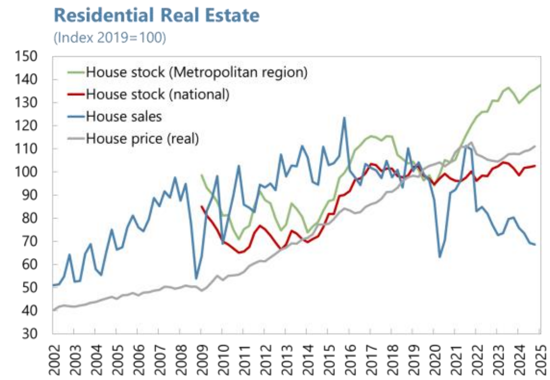
Sources: Ministry of Finance, Dipres, Central Bank of Chile, Bloomberg, and IMF staff calculations and projections.
1/ AE = Advance Economies; EM = Emerging and Developing Economies; LAC = Latin America and the Caribbean, excluding Venezuela; SA = South America, excluding Venezuela.

Figure 5. Chile: Financial Sector

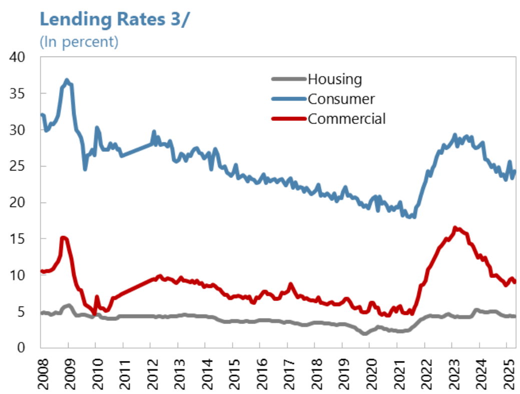
Major banks' capital ratios and liquidity ratios are comfortably above regulatory requirement.



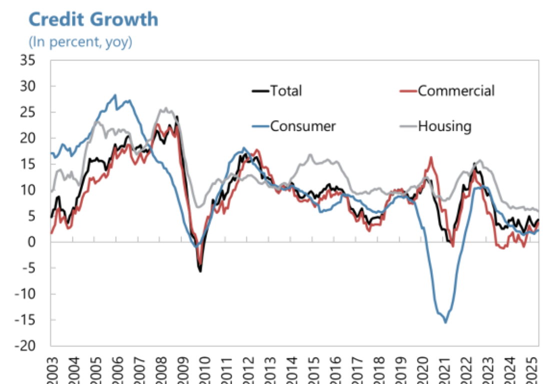
With house prices still high, home sales have slowed, and supply has built up.



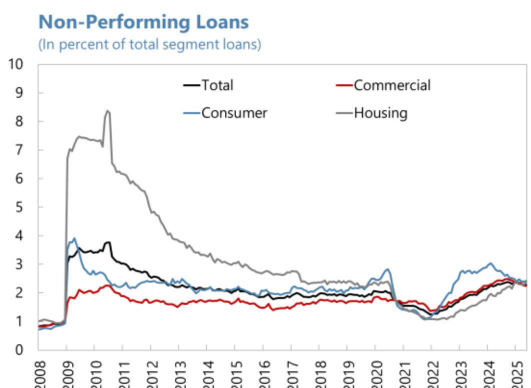
Lending rates have gradually fallen but remain above pre-pandemic levels.



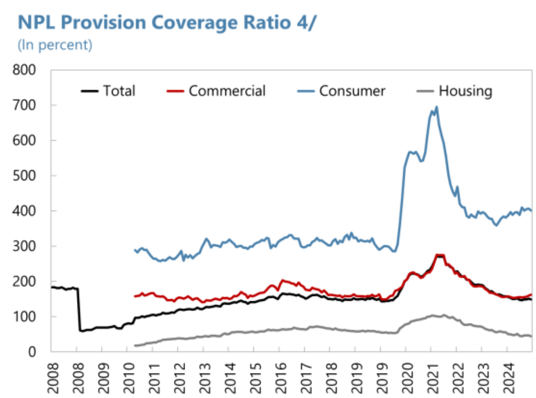
Credit growth has remained subdued due to sluggish demand.



Non-performing loans have stabilized and began to decline but remain elevated compared to pre-pandemic levels.



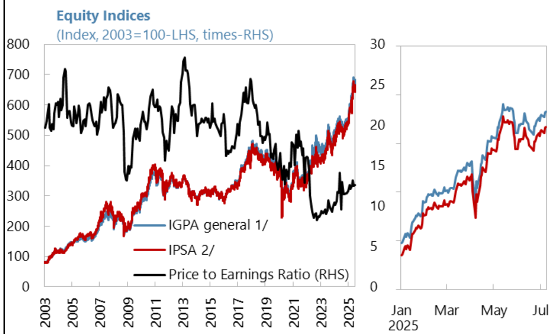
The NPL provision coverage ratios are around the pre-pandemic levels.



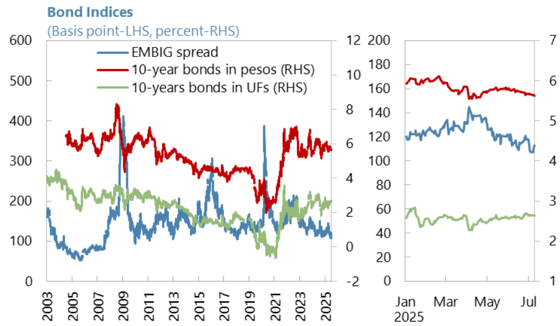
Sources: Banks' disclosures, CMF, CEIC, BCCh, Haver Analytics, and IMF staff calculations.
1/ As of March 2025. D-SIBs are Banco de Chile, Banco de Crédito e Inversiones, Banco del Estado de Chile, Banco Santander-Chile, Banco Itaú Chile, and Scotiabank Chile. "Regulatory requirement" of Common Equity Tier 1 Ratio includes 4.5 percent requirement, the conservation buffer (2.5 percent), CCyB (0.5 percent) and the maximum of the D-SIB buffers (1.3125 as of March 2025 and 1.75 percent under full implementation). "Regulatory requirement" of Tier 1 Ratio is that of Common Equity Tier 1 Ratio plus AT1 (1.5 percent), and "Regulatory requirement" of Capital Adequacy Ratio is that of Tier 1 Ratio plus Tier2 (2.0 percent). Additional capital requirements under Pillar 2 are not considered.
2/ As of April 2025.
3/ Interest rates for commercial and consumer loans are nominal rates (CLP-based), while those for housing loans are real rates (UF-based).
4/ The ratio of the sum of specific and additional provisions to non-performing loans.

Figure 6. Chile: Financial Markets

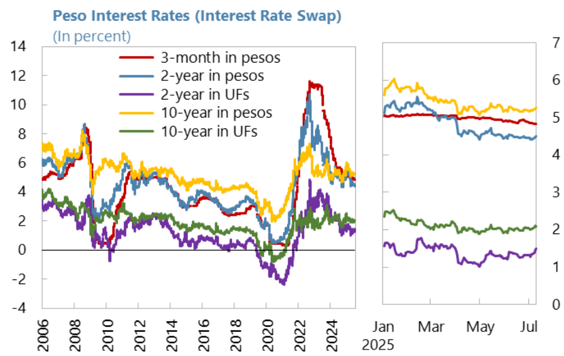
Equity indices have increased to historical levels, while price-to-earnings ratio remains below pre-pandemic level.



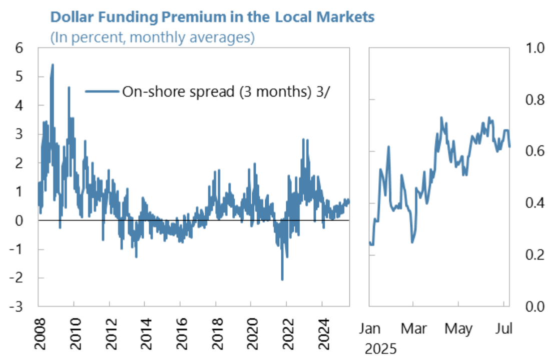
Long-term rates are still higher than pre-pandemic levels, while the sovereign spread has remained low.



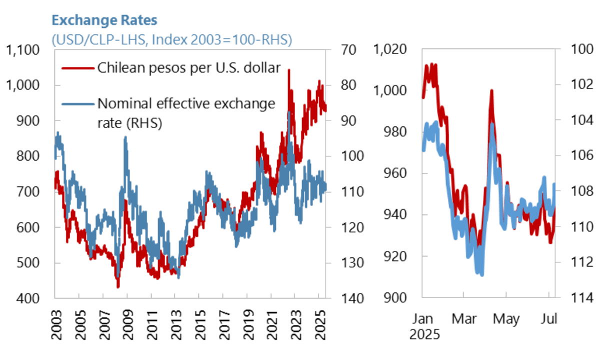
Short-term peso funding costs have declined in light of the monetary policy rate cuts, while long-term costs have declined more gradually.



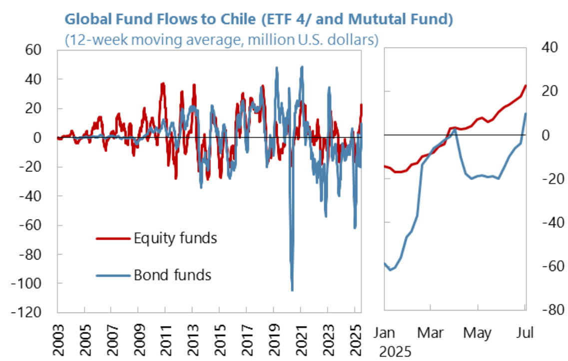
The dollar funding premium has recently increased modestly but remains low.



The peso briefly depreciated following the escalation of global trade tensions in April but has since recovered.



Equity and bond funds have experienced capital outflows since 2023.



Sources: CEIC, BCCh, EPFR Global, Haver Analytics, JP Morgan, S&P Global, and IMF staff calculations.
1/ The index measures the performance of Chile domiciled stocks listed on the Santiago Exchange that meet certain liquidity criteria and is designed to serve as a broad benchmark for the Chile equities market.
2/ The index measures the performance of some of the largest and most liquid stocks listed on the Santiago Stock Exchange.
3/ The difference between the onshore rate (the prime deposit rate, i.e., the rate offered by banks to institutional investors) and the Libor (the term SOFR since August 2022), providing a proxy of the cost of financing in U.S. dollars in the national market vis-à-vis the international market.
4/ Exchange traded funds.

Table 1. Chile: Selected Social and Economic Indicators

GDP (2024), in trillions of pesos	312	Quota	
GDP (2024), in billions of U.S. dollars	330	in millions of SDRs	1,744
Per capita (2024), U.S. dollars	16,439	in % of total	0.37
Population (2024), in millions 1/	20.09	Poverty rate (2022) 1/	6.5
Main products and exports	Copper	Gini coefficient (2022) 1/	0.448
Key export markets	China, U.S., Euro Area	Literacy rate (2022)	97.2

				Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Output	(Annual percentage change, unless otherwise specified)								
Real GDP	2.2	0.5	2.6	2.3	2.0	2.3	2.3	2.3	2.2
Consumption	2.5	-3.5	1.4	2.0	2.0	2.1	1.9	2.0	2.0
Private	1.6	-4.9	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Public	6.3	2.2	3.0	2.1	2.1	2.4	1.6	2.0	2.0
Investment 2/	1.8	-4.2	1.0	3.0	1.9	3.0	3.5	3.7	3.3
Fixed capital formation	4.6	-0.1	-1.4	3.0	2.6	2.9	2.9	3.3	2.9
Exports of goods and services	0.8	0.1	6.6	4.9	2.4	2.1	2.3	2.0	2.0
Imports of goods and services	1.3	-10.9	2.5	5.1	2.4	2.2	2.2	2.3	2.3
Output gap (in percent)	2.2	0.2	0.1	0.0	-0.2	-0.1	-0.1	0.0	0.0
Employment									
Unemployment rate (in percent, annual average)	7.9	8.7	8.5	8.3	8.1	7.7	7.5	7.5	7.5
Prices									
GDP deflator	7.6	6.6	7.7	4.3	3.2	3.0	2.7	2.7	2.7
Change of CPI (end of period)	12.8	3.9	4.5	3.7	3.0	3.0	3.0	3.0	3.0
Change of CPI (period average)	11.6	7.6	3.9	4.3	3.2	3.0	3.0	3.0	3.0
Public Sector Finances	(In percent of GDP, unless otherwise specified)								
Central government revenue	26.1	23.0	21.6	22.6	23.0	23.1	23.1	23.0	23.0
Central government expenditure	25.0	25.3	24.4	24.7	24.5	24.3	24.0	23.9	23.9
Central government fiscal balance	1.1	-2.4	-2.8	-2.1	-1.5	-1.2	-0.9	-0.9	-0.9
Central government structural fiscal balance 3/	-1.6	-3.4	-3.2	-2.4	-1.7	-1.2	-0.9	-0.9	-0.9
Structural non-mining primary balance	-2.2	-4.2	-3.8	-4.0	-3.1	-2.7	-2.3	-2.1	-2.1
Central government gross debt	37.9	39.4	41.7	42.5	43.7	44.1	44.3	44.5	44.5
of which, FX-denominated debt	13.5	14.0	15.1	14.2	14.7	14.7	15.2	14.7	14.9
Central government debt net of treasury assets	31.8	34.4	37.2	38.4	39.4	39.9	40.1	40.3	40.5
Public sector gross debt 4/	67.2	70.2	60.6	61.4	62.7	63.1	63.3	63.4	63.5
Money and Credit	(Annual percentage change, unless otherwise specified)								
M2	5.9	2.7	6.1	4.7	5.3	5.3	5.1	5.0	5.0
Credit to the private sector	10.0	3.3	3.9	4.0	5.5	6.4	6.2	6.0	5.9
Balance of Payments									
Current account (% of GDP) 5/	-8.8	-3.1	-1.5	-1.8	-1.9	-2.2	-2.4	-2.6	-2.8
Current account (in bn of USD)	-26.7	-10.5	-4.9	-6.4	-7.0	-8.4	-9.5	-10.8	-12.1
Gross international reserves (in bn of USD) 6/	39.2	46.4	44.4	46.3	48.0	49.7	51.2	52.7	54.2
Gross external debt (% of GDP) 7/	76.9	71.9	74.4	73.3	73.0	72.4	72.0	71.2	70.1
Memorandum Items									
Nominal GDP (trillions of pesos)	263	282	312	333	350	369	388	407	427

Sources: Central Bank of Chile, Ministry of Finance, Haver Analytics, and IMF staff calculations and projections.

1/ Poverty rate is from CASEN (2022) and is calculated based on national poverty line. Gini coefficient (of disposable income) is from OECD Income Distribution database. Population statistics are based on projections from the 2017 census and will be updated in 2026.

2/ Investment is calculated as the sum of gross fixed capital formation and changes in inventories.

3/ The structural fiscal balance includes adjustments for output, copper prices, and lithium revenues based on IMF calculations.

4/ Includes liabilities of the central government, the Central Bank of Chile and public enterprises. Excludes Recognition Bonds.

5/ Calculated as a share of US$ GDP.

6/ Includes earned interest on reserve assets.

7/ Data from Dipres for the government and from BCCh for all other sectors. Calculated as a share of US$ GDP.

Table 2. Chile: Summary Operations of the Central Government
(In percent of GDP, unless otherwise specified)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Proj.					
Revenues	**26.1**	**23.0**	**21.6**	**22.6**	**23.0**	**23.1**	**23.1**	**23.0**	**23.0**
Taxes	21.1	17.6	17.5	18.5	18.9	19.0	19.0	18.9	18.8
Private mining companies	1.5	0.8	1.1	1.8	1.7	1.6	1.5	1.4	1.3
Other tax revenues, non-mining	19.6	16.8	16.4	16.7	17.2	17.4	17.5	17.5	17.5
Social contributions	1.0	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.3
Grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	4.0	4.1	2.8	2.9	2.7	2.8	2.8	2.8	2.9
Codelco revenues	0.7	0.4	0.4	0.7	0.6	0.7	0.7	0.6	0.7
Income on assets	0.5	0.7	0.4	0.5	0.5	0.4	0.4	0.4	0.3
Lithium (rental income) 1/	0.9	1.0	0.2	0.1	0.1	0.2	0.2	0.2	0.3
Operating income	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other income	1.3	1.5	1.3	1.0	1.0	1.0	1.0	1.1	1.1
Expenditures	**25.0**	**25.3**	**24.4**	**24.7**	**24.5**	**24.3**	**24.0**	**23.9**	**23.9**
Expense	23.5	23.8	23.0	23.1	23.2	23.3	23.4	23.4	23.4
Compensation of employees	4.7	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8
Purchases of goods and services	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Interest payments	1.0	1.1	1.2	1.3	1.3	1.4	1.4	1.4	1.4
Subsidies and grants	9.3	8.9	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Social benefits	4.3	5.0	4.6	4.5	4.6	4.7	4.8	4.8	4.8
Other expense	2.1	2.1	2.0	2.2	2.2	2.2	2.2	2.2	2.2
Unspecified measures	0.0	0.0	0.0	0.0	-0.2	-0.5	-0.9	-1.0	-1.0
Net acquistion of nonfinancial assets	1.5	1.5	1.4	1.6	1.5	1.5	1.5	1.5	1.5
Investment	1.5	1.5	1.4	1.6	1.5	1.5	1.5	1.5	1.5
Net Lending/Borrowing	**1.1**	**-2.4**	**-2.8**	**-2.1**	**-1.5**	**-1.2**	**-0.9**	**-0.9**	**-0.9**
Non-mining overall balance	-2.1	-4.7	-4.6	-4.8	-4.0	-3.7	-3.3	-3.1	-3.2
Net Financial Transactions	**1.1**	**-2.4**	**-2.8**	**-2.1**	**-1.5**	**-1.2**	**-0.9**	**-0.9**	**-0.9**
Net acquisition of financial assets	3.5	-0.7	-0.3	0.7	1.3	0.9	0.9	0.9	0.9
Net incurrence of liabilities	2.4	1.7	2.6	2.7	2.8	2.1	1.8	1.7	1.7
Domestic	0.7	0.8	1.6	2.1	1.8	1.5	0.7	1.6	0.9
External	1.8	1.0	1.0	0.7	1.1	0.6	1.1	0.2	0.8
Recognition bonds	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items									
Primary balance	1.6	-2.0	-2.1	-1.3	-0.6	-0.2	0.1	0.1	0.2
Structural fiscal balance 2/	-1.6	-3.4	-3.2	-2.4	-1.7	-1.2	-0.9	-0.9	-0.9
Structural revenue	23.4	21.9	21.2	22.3	22.8	23.1	23.1	23.0	23.1
Structural non-mining primary balance (% of GDP)	-2.2	-4.2	-3.8	-4.0	-3.1	-2.7	-2.3	-2.1	-2.1
Fiscal impulse 3/	-9.8	2.0	-0.4	0.2	-0.9	-1.3	-0.8	-0.6	-0.2
Expenditure growth (in real terms; annual percent change)	-23.0	1.1	2.7	3.5	1.1	1.5	0.9	1.4	2.1
Central government debt net of treasury assets	31.8	34.4	37.2	38.4	39.4	39.9	40.1	40.3	40.5
Central government gross debt	37.9	39.4	41.7	42.5	43.7	44.1	44.3	44.5	44.5
Public sector gross debt 4/	67.2	70.2	60.6	61.4	62.7	63.1	63.3	63.4	63.5
Public sector debt net of treasury assets 4/	61.1	65.3	56.1	57.4	58.4	58.9	59.1	59.3	59.5
General government fiscal balance 5/	1.4	-2.3	-2.8	-2.0	-1.4	-1.2	-0.9	-0.8	-0.8
Nominal GDP (trillions of pesos)	263	282	312	333	350	369	388	407	427

Sources: Ministry of Finance and IMF staff calculations and projections.

1/ The rental income from lithium is included in income on assets prior to 2022.

2/ The structural fiscal balance includes adjustments for output, copper prices, and lithium revenues based on IMF calculations. The lithium adjustment starts in 2022.

3/ The fiscal impulse is defined as the negative of the annual change of the structural non-mining primary balance.

4/ Includes liabilities of the central government, the cental bank of Chile and non-financial public enterprises. Excludes Recognition Bonds.

5/ Includes the central government and municipality governments.

Table 3. Chile: Balance of Payments
(In US$ billions, unless otherwise specified)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Proj.					
Current Account	**-5.0**	**-23.0**	**-26.7**	**-10.5**	**-4.9**	**-6.4**	**-7.0**	**-8.4**	**-9.5**	**-10.8**	**-12.1**
Trade balance	18.9	10.3	3.6	13.8	21.0	23.3	23.5	22.8	22.3	21.7	21.0
Exports	74.0	94.6	98.5	93.0	99.2	105.6	109.4	112.2	115.4	118.5	121.8
Copper	38.5	52.5	43.8	42.6	49.7	54.1	56.3	57.2	58.1	58.4	58.5
Non-copper	35.6	42.1	54.7	50.4	49.5	51.5	53.1	55.0	57.2	60.2	63.3
Imports	55.1	84.3	94.9	79.2	78.1	82.3	85.9	89.4	93.0	96.8	100.7
Net services	-7.5	-12.5	-15.5	-10.6	-9.1	-10.4	-10.4	-10.6	-11.2	-11.8	-12.3
Net income	-15.9	-17.9	-14.7	-14.4	-17.0	-19.7	-20.6	-21.0	-21.2	-21.2	-21.2
Net transfers	-0.5	-2.8	-0.1	0.7	0.3	0.4	0.6	0.3	0.6	0.5	0.4
Capital account balance	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account Balance	**-4.8**	**-37.4**	**-19.1**	**-15.2**	**-4.5**	**-6.4**	**-7.0**	**-8.4**	**-9.5**	**-10.8**	**-12.1**
Foreign direct investment	-5.0	-0.6	-4.7	-9.6	-8.9	-6.8	-8.0	-7.5	-7.6	-8.8	-9.1
Abroad by Chilean residents	6.4	14.6	14.1	8.8	3.6	10.1	10.8	10.0	9.1	9.1	9.9
In Chile by foreign residents	11.4	15.2	18.8	18.4	12.5	16.9	18.7	17.4	16.7	17.9	19.1
Of which, debt instruments	0.9	-1.0	0.5	2.0	-0.4	0.4	0.3	0.6	0.6	0.3	0.5
Portfolio investment	-13.1	-32.6	-5.6	1.5	2.0	-5.3	-6.2	-6.0	-5.8	-5.7	-7.0
Abroad by Chilean residents	-5.9	0.2	7.6	5.4	6.8	3.5	4.3	5.0	5.2	5.2	4.7
In Chile by foreign residents	7.2	32.8	13.2	3.9	4.8	8.8	10.5	11.0	11.0	10.9	11.7
Of which, equities	0.2	2.6	7.7	-1.4	-0.8	1.3	2.3	0.6	1.1	2.9	3.4
Of which, debt	7.0	30.2	5.5	5.3	5.6	7.5	8.1	10.4	9.9	8.0	8.4
Financial derivatives	2.5	0.0	0.0	-1.8	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Other investments	10.8	-4.1	-8.8	-5.2	2.9	6.2	7.7	5.5	4.4	4.2	4.6
Abroad by Chilean residents	9.0	6.6	-0.1	-2.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6
In Chile by foreign residents	-1.8	10.8	8.7	2.5	0.7	-2.6	-4.0	-1.9	-0.7	-0.6	-1.0
Change in Reserves Assets	**-2.9**	**12.2**	**-9.2**	**6.8**	**-2.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Errors and omissions	-2.8	-2.2	-1.7	2.1	-2.3	0.0	0.0	0.0	0.0	0.0	0.0
Gross international reserves (in billions of USD) 1/	39.2	51.3	39.2	46.4	44.4	46.3	48.0	49.7	51.2	52.7	54.2
					(In percent of GDP)						
Current Account 2/	**-1.9**	**-7.3**	**-8.8**	**-3.1**	**-1.5**	**-1.8**	**-1.9**	**-2.2**	**-2.4**	**-2.6**	**-2.8**
Trade balance of Goods	7.4	3.3	1.2	4.1	6.4	6.6	6.4	5.9	5.6	5.2	4.8
Exports	29.1	30.0	32.7	27.7	30.0	30.1	29.7	29.2	28.8	28.4	28.0
Copper	15.1	16.7	14.5	12.7	15.1	15.4	15.3	14.9	14.5	14.0	13.4
Non-copper	14.0	13.3	18.2	15.0	15.0	14.7	14.4	14.3	14.3	14.4	14.5
Imports	21.7	26.7	31.5	23.6	23.7	23.5	23.3	23.3	23.2	23.2	23.1
Net services	-2.9	-4.0	-5.1	-3.2	-2.8	-3.0	-2.8	-2.8	-2.8	-2.8	-2.8
Net income	-6.2	-5.7	-4.9	-4.3	-5.1	-5.6	-5.6	-5.5	-5.3	-5.1	-4.9
Net transfers	-0.2	-0.9	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial Account Balance 3/	**-1.9**	**-11.9**	**-6.4**	**-4.5**	**-1.4**	**-1.8**	**-1.9**	**-2.2**	**-2.4**	**-2.6**	**-2.8**
					(Annual change in percent)						
Goods export volume	2.8	-1.0	-1.8	-1.2	5.3	4.5	2.9	2.1	2.3	1.9	1.9
Goods import volume	-9.8	35.5	-2.6	-12.4	2.9	5.7	1.9	2.3	2.3	2.2	2.3
Terms of trade 4/	11.7	12.3	-9.1	-0.2	5.6	2.3	-1.8	-1.3	-1.2	-1.0	-1.0
Goods export prices 4/	4.8	29.1	6.0	-4.4	1.4	2.0	0.7	0.5	0.5	0.8	0.8
Goods import prices 4/	-6.2	14.9	16.8	-4.2	-4.2	-0.3	2.4	1.8	1.7	1.8	1.8
Memorandum Items											
Copper price (WEO; U.S. cents per pound)	280	423	400	385	415	433	437	439	440	441	441
Copper price (WEO; annual change in percent)	2.7	50.9	-5.2	-3.8	7.7	4.3	1.1	0.3	0.3	0.1	0.0
Volume of copper exports (2004=100)	105	102	96	95	99	102	105	107	108	108	109

Sources: Central Bank of Chile, Haver Analytics, and IMF staff calculations and projections.
1/ Includes earned interest on reserve assets.
2/ Calculated as a share of US$ GDP.
3/ Excluding change in reserves.
4/ Based on a simple average of quarterly price indexes measured in US$.

Table 4. Chile: Monetary Survey
(In billions of pesos, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024
Central Bank							
Net foreign assets	27,043	29,547	27,222	40,891	31,476	38,756	41,618
International reserves	27,731	30,274	27,881	43,643	33,653	41,003	44,071
Other foreign assets, net	-688	-727	-659	-2,752	-2,177	-2,247	-2,453
Domestic assets	-1,862	-3,326	24,086	23,405	24,229	18,885	-797
Net credit to general government	-553	-392	327	356	322	311	278
Net claims on banks and financial corporations	-5,163	-4,599	21,873	26,894	23,342	15,845	-1,351
Credit to the private sector	47	-33	-31	-38	-33	-28	-32
Other items (net)	3,808	1,699	1,917	-3,807	599	2,756	308
Monetary liabilities	25181	26221	51308	64297	55,705	57,641	40,821
Monetary base	11,296	12,335	30,256	21,456	17,641	16,791	18,079
Currency	6,740	7,576	12,180	15,210	11,608	10,524	10,852
Currency reserves	4,556	4,760	18,077	6,247	6,033	6,268	7,226
Others	13,885	13,886	21,052	42,840	38,064	40,850	22,742
Other Depository Institutions							
Net foreign assets	-10,199	-9,700	-1,678	-4,608	-7,158	-7,998	-8,856
Net foreign assets (in millions of US$)	-14,660	-13,027	-2,359	-5,420	-8,328	-9,041	-8,926
Domestic assets	156,578	174,809	166,335	186,430	202,050	207,819	207,820
Credit to general government	3,463	4,615	12,538	17,607	16,945	16,944	20,607
Credit to the private sector	158,792	174,225	179,836	197,943	217,695	224,836	233,496
Other items (net)	-5,677	-4,031	-26,038	-29,120	-32,590	-33,960	-35,424
Liabilities to the private sector	146,379	165,109	164,658	181,821	194,891	199,820	209,822
Demand deposits	30,116	36,058	56,393	64,091	47,687	47,482	51,035
Quasi-money	116,263	129,051	108,264	117,730	147,205	152,338	158,787
Banking System							-
Net foreign assets	16,844	19,846	25,544	36,283	24,318	30,757	32,762
Domestic assets	142,030	156,183	160,746	177,442	195,691	198,472	201,852
Net credit to general government	2,910	4,223	12,865	17,963	17,267	17,256	20,884
Credit to the private sector	158,836	174,192	179,805	197,905	217,662	224,808	233,464
Other items (net)	-19,715	-22,232	-31,924	-38,426	-39,237	-43,591	-52,496
Money and private quasi-money	158,874	176,029	186,290	213,725	220,009	229,230	234,614
Money	36,856	43,633	68,573	79,301	59,295	58,005	61,887
Quasi-money	122,018	132,396	117,717	134,424	160,715	171,225	172,726
Memorandum Items	(Annual percentage change)						
Monetary base	1.7	9.2	145.3	-29.1	-17.8	-4.8	7.7
Banking system' credit to the private sector	10.1	9.7	3.2	10.1	10.0	3.3	3.9
	(In percent of GDP)						
Monetary base	6.0	6.3	15.0	9.0	6.7	6.0	5.8
Banking system's credit to the private sector	83.8	89.1	89.3	82.7	82.7	79.8	74.9

Sources: Central Bank of Chile, Haver, and IMF staff calculations.

Table 5. Chile: Medium-Term Macroeconomic Framework

				Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030
National Accounts	(Annual percentage change, unless otherwise specified)								
Real GDP	2.2	0.5	2.6	2.3	2.0	2.3	2.3	2.3	2.2
Total domestic demand	2.3	-3.7	1.3	2.3	2.0	2.3	2.3	2.4	2.3
Consumption	2.5	-3.5	1.4	2.0	2.0	2.1	1.9	2.0	2.0
Private	1.6	-4.9	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Public	6.3	2.2	3.0	2.1	2.1	2.4	1.6	2.0	2.0
Investment 1/	1.8	-4.2	1.0	3.0	1.9	3.0	3.5	3.7	3.3
Gross fixed capital formation	4.6	-0.1	-1.4	3.0	2.6	2.9	2.9	3.3	2.9
Inventories 2/	-0.6	-1.1	0.6	0.0	-0.2	0.0	0.1	0.1	0.1
Net exports 2/	-0.2	4.4	1.3	0.1	0.1	0.0	0.1	0.0	0.0
Exports of goods and services	0.8	0.1	6.6	4.9	2.4	2.1	2.3	2.0	2.0
Imports of goods and services	1.3	-10.9	2.5	5.1	2.4	2.2	2.2	2.3	2.3
GDP Deflator	7.6	6.6	7.7	4.3	3.2	3.0	2.7	2.7	2.7
Change of CPI, end of period	12.8	3.9	4.5	3.7	3.0	3.0	3.0	3.0	3.0
Change of CPI, period average	11.6	7.6	3.9	4.3	3.2	3.0	3.0	3.0	3.0
Output gap (percent of potential GDP)	2.2	0.2	0.1	0.0	-0.2	-0.1	-0.1	0.0	0.0
Balance of Payments	(In percent of GDP, unless otherwise specified)								
Current account 3/	-8.8	-3.1	-1.5	-1.8	-1.9	-2.2	-2.4	-2.6	-2.8
Trade balance 3/	1.2	4.1	6.4	6.6	6.4	5.9	5.6	5.2	4.8
Financial account balance 3/	-6.4	-4.5	-1.4	-1.8	-1.9	-2.2	-2.4	-2.6	-2.8
Of which, foreign direct investment (net) 3/	-1.6	-2.9	-2.7	-1.9	-2.2	-1.9	-1.9	-2.1	-2.1
Change in reserves assets 3/	-3.1	2.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions 3/	-0.6	0.6	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Gross int. reserves (in billions of U.S. dollars)	39.2	46.4	44.4	46.3	48.0	49.7	51.2	52.7	54.2
Copper price (WEO; U.S. cents per pound)	400	385	415	433	437	439	440	441	441
Savings and Investment									
Gross domestic investment	25.8	23.4	23.2	23.4	23.5	23.7	24.1	24.4	24.8
Public	1.7	1.7	1.7	1.9	1.8	1.8	1.8	1.7	1.8
Private	24.1	21.6	21.6	21.5	21.7	21.9	22.3	22.7	23.0
National saving	16.9	20.2	21.8	21.6	21.6	21.5	21.7	21.9	22.0
Public	3.0	-0.5	-1.2	-0.2	0.3	0.6	0.9	0.9	0.9
Private	13.9	20.8	22.9	21.8	21.3	20.9	20.8	21.0	21.1
Operations of the Central Government									
Central government gross debt	37.9	39.4	41.7	42.5	43.7	44.1	44.3	44.5	44.5
Central government debt net of treasury assets	31.8	34.4	37.2	38.4	39.4	39.9	40.1	40.3	40.5
Central government balance	1.1	-2.4	-2.8	-2.1	-1.5	-1.2	-0.9	-0.9	-0.9
Total revenue	26.1	23.0	21.6	22.6	23.0	23.1	23.1	23.0	23.0
Total expenditure	25.0	25.3	24.4	24.7	24.5	24.3	24.0	23.9	23.9
Central government structural balance	-1.6	-3.4	-3.2	-2.4	-1.7	-1.2	-0.9	-0.9	-0.9
Employment	(In percent of labor force)								
Unemployment rate (in percent, annual average)	7.9	8.7	8.5	8.3	8.1	7.7	7.5	7.5	7.5

Sources: Central Bank of Chile, Ministry of Finance, National Statistics Institute, Haver Analytics, and IMF staff projections.
1/ Investment is defined as: gross fixed capital formation + changes in inventories.

2/ Contribution to growth.

3/ Calculated as a share of US$ GDP.

Table 6. Chile: Financial Soundness Indicators 1/
(In percent, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024
Assets							
Total assets (Percent of GDP)	123.0	135.4	160.8	140.1	145.5	141.6	129.0
Total loans (Percent of GDP) 2/	95.5	101.2	101.5	94.2	94.3	91.6	86.5
Capital Adequacy							
Regulatory capital to risk-weighted assets	13.3	12.8	14.7	14.8	15.6	16.2	16.9
Regulatory tier 1 capital to risk-weighted assets	10.7	10.3	10.7	10.6	11.9	12.1	13.1
Common Equity Tier 1 capital to risk-weighted assets	...	...	...	...	11.2	11.9	11.9
Credit Risk							
Provisions to NPLs 3/	128.4	123.7	171.4	190.6	146.0	120.4	105.9
NPLs to gross loans	1.9	2.1	1.6	1.2	1.7	2.1	2.3
NPLs net of provisions to capital	-3.8	-3.6	-7.7	-7.5	-5.0	-2.7	-0.8
Profitability							
Return on assets (before tax)	1.4	1.3	0.5	1.5	1.7	1.5	1.7
Return on equity (after tax)	12.5	12.4	5.6	16.6	21.0	15.4	15.2
Financial leverage 4/	12.1	12.4	14.5	14.5	14.6	13.4	12.1
Interest margin to gross income	67.1	66.9	69.4	69.5	74.4	69.6	70.4
Noninterest expenses to gross income	48.9	46.7	54.9	43.6	39.3	42.1	42.6
Trading income to gross income	8.6	9.6	8.4	8.2	5.9	9.0	7.7
Liquidity							
Liquidity coverage ratio	...	160.3	236.1	242.3	274.4	256.1	208.5
Liquid assets to total assets	14.2	15.3	22.2	20.1	17.1	16.0	14.1
FX and Derivative Risk							
FX loans to total loans 2/	18.4	18.9	16.1	18.3	18.7	19.0	20.7
Gross asset position in financial derivatives to capital	46.5	98.3	103.2	102.1	105.5	81.7	81.2
Gross liability position in financial derivatives to capital	43.1	95.4	106.1	103.2	116.1	86.5	83.3
Memorandum Items							
Contributions to Return on Assets							
Interest Income	3.1	3.1	2.7	2.9	3.3	3.0	3.2
Income	5.4	5.4	4.1	4.7	7.5	7.3	6.8
Expense	-2.3	-2.3	-1.4	-1.8	-4.2	-4.4	-3.6
Non Interest Income	1.5	1.6	1.2	1.3	1.1	1.3	1.3
Fees and Commissions Receivable	0.8	0.8	0.6	0.7	0.6	0.7	0.7
Gains or Losses on Financial Instruments	0.4	0.4	0.3	0.3	0.3	0.4	0.3
Non Interest Expenses	-2.2	-2.2	-2.1	-1.8	-1.7	-1.8	-1.9
Personnel Costs	-1.1	-1.1	-0.9	-0.9	-0.8	-0.9	-0.9
Provisions	-1.0	-1.2	-1.2	-0.8	-1.0	-1.0	-0.9
Real Loan Growth (yoy)	7.3	6.3	-0.5	3.6	-2.5	-1.1	0.4
Commercial loans (yoy)	7.2	6.6	2.8	2.1	-4.6	-4.6	-1.3
Mortgage loans (yoy)	6.7	8.0	5.0	5.9	1.4	3.3	1.6
Consumer loans (yoy)	6.0	1.0	-16.6	-6.7	-2.0	-0.3	-2.5
Real Estate Sector indicators							
New residential property price (index, 2008=100)	171	178	188	195	201	204	211
Used residential property price (index, 2008=100)	208	223	227	250	228	227	231
Loan to home value ratio (simple average)	78	78	79	78	76	78	78
Vacancy rate (offices)	6.5	6.0	7.9	11.2	12.6	11.6	10.7
Vacancy rate (strip center)	3.5	4.0	5.6	6.5	5.6	5.7	5.8
Private Sector Debt Indicators							
Household debt to GDP 5/	48.6	51.2	50.7	47.4	49.2	48.8	47.2
Household mortgage debt to GDP 5/	25.3	27.3	28.7	27.4	28.5	28.5	27.4
Household net financial assets to GDP 5/	132.8	146.3	147.6	130.6	120.3	121.2	120.4
Non-financial corporate debt to GDP	101.7	109.1	112.6	106.5	101.4	98.8	97.5
Non-Bank Financial Institutions Indicators							
Money market fund assets to GDP	9.2	11.8	13.3	10.7	9.6	12.1	13.8
Other investment fund assets to GDP	20.3	22.7	23.2	23.1	19.9	19.9	22.9
Insurance company assets to GDP	24.6	26.7	26.7	22.2	22.9	22.7	22.6
Pension fund assets to GDP	70.9	82.0	75.5	60.6	57.6	59.2	59.3

Sources: IMF Financial Soundness Indicators (for memorandum items, Central Bank of Chile), and IMF staff calculations.

1/ These indicators correspond to depository corporations.

2/ Gross loans including interbank loans.

3/ Specific provision only while total provision in Chile consists of specific and additional provision.

4/ Assets to capital.

5/ Households and nonprofit organizations.

Table 7. Chile: Indicators of External Vulnerabilities
(In percent, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024
Financial Indicators							
M3 (percent change)	11.0	10.9	4.2	13.4	3.0	6.4	6.8
Private sector credit to GDP	83.8	89.1	89.3	82.7	82.7	79.8	74.9
Share of foreign currency deposits in total deposits	12.7	14.6	14.6	18.7	17.3	16.5	16.9
Share of foreign currency loans in total credit	13.5	13.4	10.5	12.6	12.9	12.6	13.7
External Indicators							
Exports of goods, U.S. dollars (annual percentage change)	8.6	-8.1	7.6	27.8	4.1	-5.6	6.7
Imports of goods, U.S. dollars (annual percentage change)	14.7	-6.6	-16.2	53.0	12.6	-16.6	-1.3
Terms of trade (annual percentage change) 1/	-2.6	-1.8	11.7	12.3	-9.1	2.4	5.6
REER (annual percent change, period average)	-1.3	4.7	8.2	0.2	7.3	-10.8	7.1
Exchange rate (pesos per U.S. dollar, period average)	641.2	703.3	792.2	759.1	873.2	839.8	943.7
Current account balance (percent of GDP) 2/	-4.5	-5.2	-1.9	-7.3	-8.8	-3.1	-1.5
Financial account less reserves accumulation (percent of GDP) 2/	-4.3	-3.8	-1.9	-11.9	-6.4	-4.5	-1.4
Gross official reserves (in billions of U.S. dollars) 3/	39.9	40.7	39.2	51.3	39.2	46.4	44.4
Gross official reserves to M3	11.9	11.7	10.4	14.3	10.7	12.3	12.4
Gross official reserves to short-term external debt 4/	77.3	74.4	92.1	89.8	65.5	79.4	91.0
Gross official reserves (percent of GDP)	13.5	14.6	15.4	16.3	13.0	13.8	13.5
Gross official reserves (percent of ARA metric) 5/	88.5	86.5	83.5	95.5	71.1	82.6	81.5
Government liquid FX assets (US$ billions) 6/	15.4	12.3	9.6	3.8	11.4	6.6	3.7
Total external debt (percent of GDP) 7/	59.4	66.8	77.0	71.6	76.9	71.9	74.4
Total external debt to exports of goods and services	208.6	240.4	245.7	224.8	216.3	233.9	221.2
External interest payments to exports of goods and services	5.8	6.8	6.7	5.2	6.1	8.2	7.9
External amortization payments to exports of goods and services	54.5	66.7	68.7	42.4	53.4	57.9	52.5
Financial Market Indicators							
Stock market index (in U.S. dollars; period average) 8/	1869	1512	1037	1182	1128	1111	1027
Sovereign long-term foreign currency debt rating (end of period)							
Moody's	A1	A1	A1	A1	A2	A2	A2
S&P	A+	A+	A+	A	A	A	A
Fitch ratings	A	A	A-	A-	A-	A-	A-

Sources: Central Bank of Chile, Haver Analytics, WEO, and IMF staff calculations.
1/ Based on a simple average of quarterly price indexes.
2/ Calculated as a share of US$ GDP.
3/ Gold valued at end-period market prices.
4/ Includes amortization of medium/long-term debt due during the following year.
5/ Assessing Reserve Adequacy (IMF, 2011 Policy Paper).
6/ Calculated as the sum of the government's economic and social stabilization fund and U.S. dollar cash.
7/ Data from Dipres for the government and from BCCh for all other sectors. Calculated as a share of US$ GDP.
8/ Morgan Stanley Capital International Index (Dec1987 = 100).

Table 8. Chile: Capacity to Repay the Fund 1/

	2024	2025	2026	2027	2028	2029	2030
Exposure and Repayments (In SDR millions)							
GRA credit to Chile	--	10,465.8	10,465.8	10,465.8	9,157.6	3,924.7	--
(In percent of quota)	--	600.0	600.0	600.0	525.0	225.0	--
Charges due on GRA credit 2/	0.0	138.3	475.3	475.3	482.6	331.2	82.5
Debt service due on GRA credit 2/	0.0	138.3	475.3	475.3	1,790.8	5,564.1	4,007.2
Debt and Debt Service Ratios 3/							
In percent of GDP							
Total external debt	74.4	77.6	81.0	79.3	76.6	72.4	70.1
Public external debt	15.5	20.2	20.8	19.8	18.6	15.8	14.8
GRA credit to Chile	--	4.2	4.1	3.8	3.1	1.3	--
Total external debt service	20.3	17.7	18.4	17.9	18.1	19.0	18.2
Public external debt service	1.2	1.3	1.5	1.4	1.8	2.9	2.3
Debt service due on GRA credit	0.0	0.1	0.2	0.2	0.6	1.8	1.2
In percent of Gross International Reserves							
Total external debt	553.4	596.6	615.4	611.8	610.1	595.9	583.3
Public external debt	114.9	155.5	158.5	152.8	148.2	130.2	123.3
GRA credit to Chile	--	32.2	31.1	29.3	24.9	10.4	--
In percent of Exports of Goods and Services							
Total external debt service	60.4	57.7	59.3	56.7	55.9	60.7	58.9
Public external debt service	3.5	4.2	4.9	4.3	5.5	9.3	7.4
Debt service due on GRA credit	0.0	0.2	0.6	0.5	1.9	5.7	4.0
In percent of Total External Debt							
GRA credit to Chile	--	5.4	5.0	4.8	4.1	1.7	--
In percent of Public External Debt							
GRA credit to Chile	--	20.7	19.6	19.2	16.8	8.0	--

Sources: Chilean authorities, IMF Finance Department, World Economic Outlook, and IMF staff estimates.

1/ Assumes full drawing under the FCL in August 2025 and materialization of an adverse scenario, even though the authorities intend to treat the arrangement as precautionary.
2/ Projections based on the GRA rate of charge as of June 26th, 2025.
3/ Staff projections for external debt, GDP, gross international reserves, and exports of goods and services reflect the adverse scenario (and not the baseline scenario) under which the full FCL drawing is assumed.

Annex I. External Debt Sustainability Analysis

External debt increased to 74.4 percent of GDP in 2024, mainly due to the depreciation of the peso. Over 2025-26, external debt is expected to decrease somewhat to 73 percent of GDP driven by a narrowing current account deficit, when excluding interest payments. Over the medium term, external debt is projected to decrease to around 70 percent of GDP. Despite sensitivity to the exchange rate, external debt remains sustainable under a wide range of shocks. The non-financial corporate sector appears highly leveraged, but a large share of its debt is FDI-related (i.e., intercompany loans) and has foreign exchange hedging or a long maturity.

Table 1. Chile: External Debt Sustainability Framework
(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2020	2021	2022	2023	2024			2025	2026	2027	2028	2029	2030	Debt-stabilizing non-interest current account 6/
Baseline: External debt	77.0	71.6	76.9	71.9	74.4			**73.3**	**73.0**	**72.4**	**72.0**	**71.2**	**70.1**	**1.1**
Change in external debt	10.2	-5.4	5.3	-4.9	2.5			-1.2	-0.3	-0.5	-0.4	-0.8	-1.1	
Identified external debt-creating flows (4+8+9)	8.9	-7.7	10.3	-1.8	5.1			1.7	1.9	2.2	2.3	2.3	2.5	
Current account deficit, excluding interest payments	-0.2	5.6	6.7	0.6	-1.2			-1.0	-0.9	-0.6	-0.5	-0.2	0.0	
Balance of goods and services	4.5	-0.7	-3.9	0.9	3.6			3.7	3.6	3.2	2.8	2.4	2.0	
Exports	31.3	31.8	35.5	30.8	33.7			33.4	32.7	32.2	31.7	31.3	30.9	
Imports	-26.8	-32.5	-39.5	-29.8	-30.1			-29.7	-29.1	-29.0	-28.9	-28.9	-28.9	
Net non-debt creating capital inflows (negative)	1.5	-0.3	-1.2	2.7	3.1			1.4	1.4	1.6	1.5	1.3	1.2	
Automatic debt dynamics 1/	7.6	-13.0	4.8	-5.2	3.2			1.2	1.3	1.2	1.2	1.2	1.2	
Contribution from nominal interest rate	2.1	1.7	2.2	2.5	2.6			2.9	2.7	2.8	2.8	2.8	2.8	
Contribution from real GDP growth	4.5	-7.0	-1.6	-0.4	-1.9			-1.6	-1.4	-1.6	-1.6	-1.6	-1.5	
Contribution from price and exchange rate changes 2/	1.0	-7.7	4.2	-7.3	2.5			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	1.2	2.4	-5.0	-3.1	-2.6			-2.8	-2.3	-2.8	-2.7	-3.1	-3.6	
External debt-to-exports ratio (in percent)	245.7	224.8	216.3	233.9	221.2			219.5	223.0	225.2	227.0	227.3	226.6	
Gross external financing need (in billions of US dollars) 4/	59.6	65.5	83.8	70.3	63.2			**55.2**	**59.3**	**62.9**	**66.8**	**70.9**	**74.0**	
in percent of GDP	23.5	20.8	27.8	21.0	19.2	10-Year	10-Year	15.7	16.1	16.4	16.7	17.0	17.0	
Scenario with key variables at their historical averages 5/								**73.3**	**75.9**	**77.4**	**78.8**	**79.7**	**80.1**	**0.8**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	-6.1	11.3	2.2	0.5	2.6	2.0	4.2	2.3	2.0	2.3	2.3	2.3	2.2	
GDP deflator in US dollars (change in percent)	-2.7	11.5	-6.5	10.9	-4.2	0.7	7.6	3.9	2.9	2.1	1.9	1.8	1.9	
Nominal external interest rate (in percent)	2.9	2.7	2.9	3.6	3.6	3.1	0.3	4.1	3.9	4.0	4.1	4.1	4.0	
Growth of exports (US dollar terms, in percent)	3.0	26.2	6.6	-3.5	7.6	3.3	11.9	5.4	2.8	2.7	2.8	2.9	2.9	
Growth of imports (US dollar terms, in percent)	-17.2	50.6	15.9	-15.8	-0.8	3.3	20.4	5.1	2.9	3.8	4.2	4.1	4.2	
Current account balance, excluding interest payments	0.2	-5.6	-6.7	-0.6	1.2	-2.0	2.5	1.0	0.9	0.6	0.5	0.2	0.0	
Net non-debt creating capital inflows	-1.5	0.3	1.2	-2.7	-3.1	-0.6	2.0	-1.4	-1.4	-1.6	-1.5	-1.3	-1.2	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

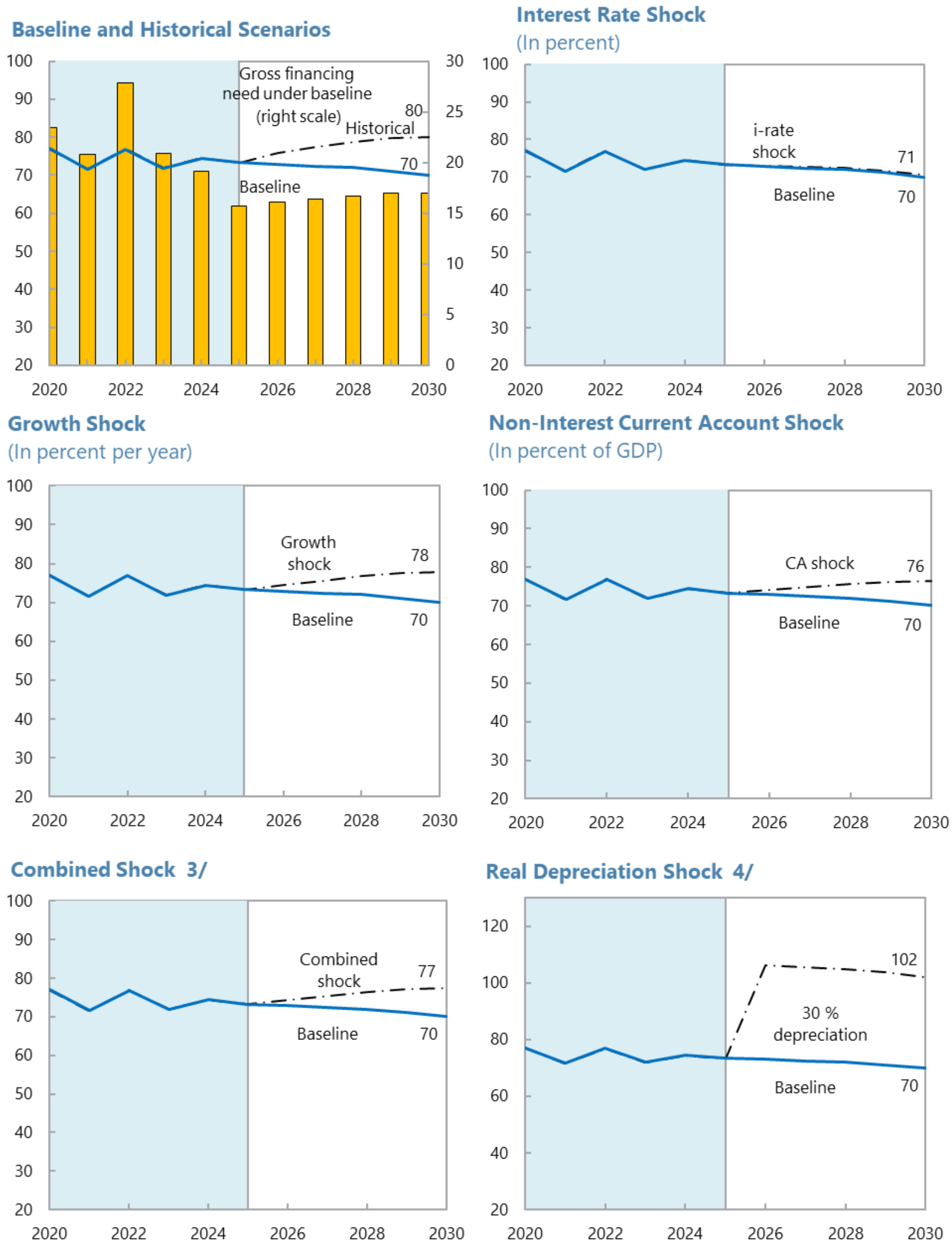
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 1. Chile: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2026.

Annex II. Sovereign Risk and Public Debt Sustainability Analysis

Table 1. Chile: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Low**	The overall risk of sovereign stress is low, reflecting a relatively low level of vulnerability, including in the medium- and long-term horizons.
Near term 1/	...	...	...
Medium term	**Low**	**Low**	Medium-term risks are assessed as low, reflecting the strength of the fiscal framework in guiding fiscal policy and rebuilding buffers.
Fanchart	**Low**	...	
GFN	**Low**	...	
Stress test	Comm. Prices Nat. Disast.	...	
Long term	...	**Low**	The overall long-run risk indicator is assessed as low. Under the baseline, debt stabilizes at below 45 percent of GDP, reflecting a primary balance broadly in line with the debt-stabilizing one under the government's medium-term fiscal commitment. Aging-related expenditure linked to health and pension are expected to be largely paired to higher revenues, with costs related to solidarity pensions potentially doubling by 2050. Copper production and revenues are not expected to fall dramatically over the next decades compared to its 2023 level, which was low by historical standards.
Sustainability assessment 2/	...	Sustainable with high probability	The projected debt path is expected to stabilize and GFNs will remain at manageable levels. Therefore, debt is assessed as sustainable with high probability.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Public sector debt is assessed to be sustainable under a wide range of plausible shock scenarios and with high probability, with low medium-term sovereign and financing risks. Medium-term structural fiscal consolidation plans, guided by the structural fiscal balance rule and the prudent debt ceiling, are fully consistent with fiscal sustainability. The authorities are considering implementing ambitious reforms (corrective actions) in the medium term which are not included in the baseline.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table 2. Chile: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					Yes	
2. Subsectors included in the chosen coverage in (1) above:						

Coverage groups	#	Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	Not applicable
CPS / NFPS / GG: expected	4	State governments	No	Debt issuance not allowed
CPS / NFPS / GG: expected	5	Local governments	No	Debt issuance not allowed
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

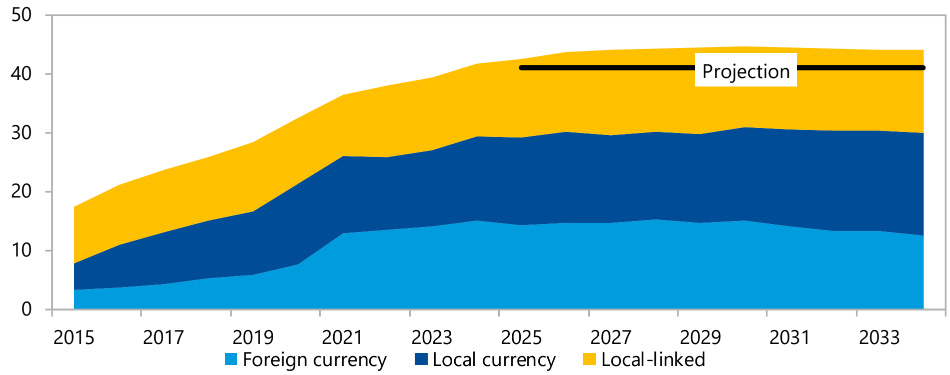
Coverage groups	#	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The authorities continually manage state-contingent debts, which are clearly detailed in a published annual report. The provision of credit guarantees (FOGAPE and CAE) is only expected to result in modest fiscal costs in the medium term.

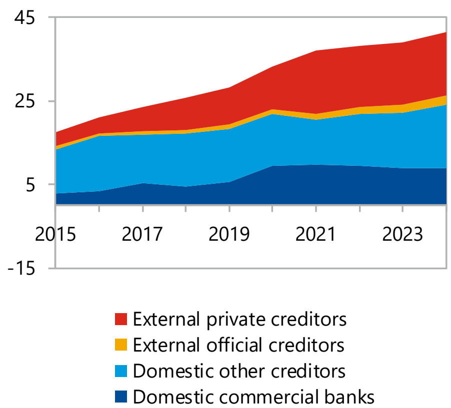
Table 3. Chile: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



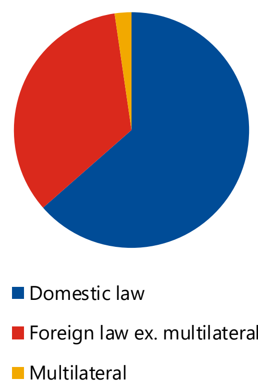
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



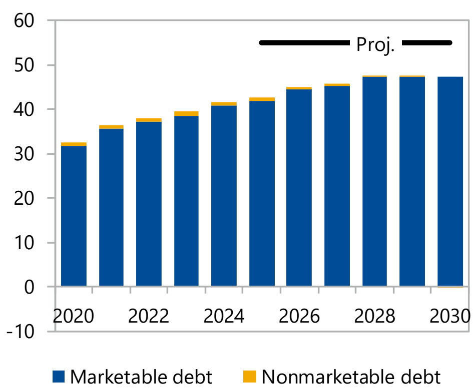
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (percent)



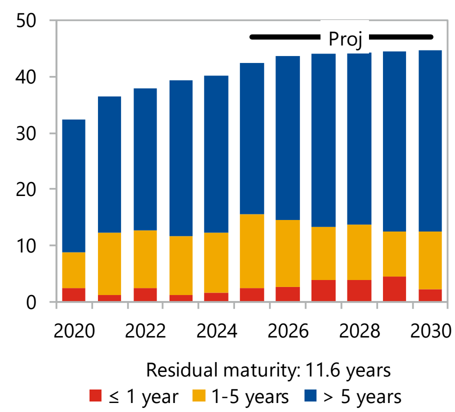
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



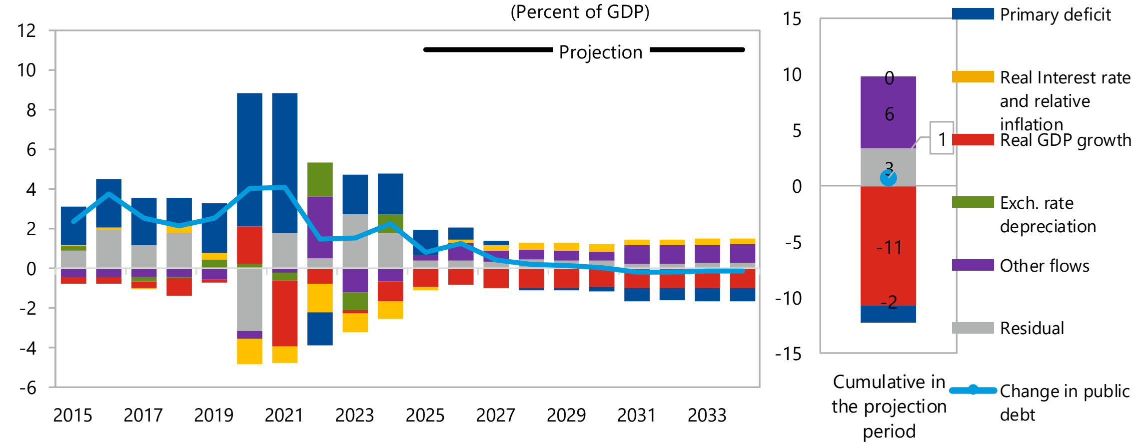
Note: The perimeter shown is central government.

Commentary: Chile has a well-diversified investor base with a large presence of domestic creditors. The share of foreign currency debt increased in 2021 due to the pension withdrawals but is still relatively small and expected to return to historical levels. The residual maturity of debt is above 10 years, and most of its debt is traded on secondary markets.

Table 4. Chile: Baseline Scenario
(In percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	41.7	42.5	43.7	44.1	44.3	44.5	44.5	44.3	44.1	44.0	43.9
Change in public debt	2.2	0.8	1.2	0.4	0.2	0.2	0.0	-0.2	-0.2	-0.2	-0.1
Contribution of identified flows	0.4	0.4	0.9	0.1	-0.3	-0.2	-0.4	-0.4	-0.4	-0.4	-0.4
Primary deficit	2.1	1.3	0.6	0.2	-0.1	-0.1	-0.2	-0.6	-0.6	-0.6	-0.6
Noninterest revenues	21.2	22.1	22.5	22.7	22.7	22.6	22.7	22.8	22.8	22.9	22.8
Noninterest expenditures	23.2	23.4	23.2	22.9	22.6	22.5	22.5	22.2	22.2	22.2	22.2
Automatic debt dynamics	-1.0	-1.1	-0.7	-0.7	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7
Real interest rate and relative inflatioı	-0.9	-0.2	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Real interest rate	-1.5	-0.4	0.0	0.1	0.3	0.3	0.2	0.1	0.1	0.1	0.2
Relative inflation	0.7	0.2	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Real growth rate	-1.0	-0.9	-0.8	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Real exchange rate	0.9	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.6	0.2	0.9	0.5	0.5	0.5	0.4	0.9	0.9	0.9	0.9
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.4	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3
Other transactions 1 /	-0.2	0.7	1.4	0.9	0.9	0.9	0.8	1.2	1.2	1.2	1.2
Contribution of residual	1.8	0.4	0.4	0.4	0.4	0.4	0.4	0.2	0.3	0.3	0.3
Gross financing needs	9.1	3.5	3.8	3.7	4.5	4.5	5.1	2.5	2.2	4.1	2.9
of which: debt service	7.4	2.7	3.6	3.9	5.0	5.1	5.6	3.4	3.2	5.0	3.9
Local currency	6.6	1.2	1.2	2.1	1.7	2.8	2.4	1.4	1.4	2.5	2.0
Foreign currency	0.5	1.2	1.1	1.3	1.1	1.5	1.0	1.4	1.3	1.1	1.4
Memo:											
Real GDP growth (percent)	2.6	2.3	2.0	2.3	2.3	2.3	2.2	2.3	2.3	2.3	2.3
Inflation (GDP deflator; percent)	7.7	4.4	3.2	3.0	2.7	2.7	2.7	3.0	3.0	3.0	3.0
Nominal GDP growth (percent)	10.6	6.7	5.3	5.3	5.1	5.0	5.0	5.4	5.4	5.4	5.4
Effective interest rate (percent)	3.4	3.3	3.3	3.3	3.4	3.3	3.3	3.3	3.3	3.4	3.4

Contribution to Change in Public Debt
(Percent of GDP)



Commentary: Public debt is expected to stabilize below 45 percent of GDP under the assumption that the government adheres to its medium-term target of a broadly balanced fiscal position.

1/ Other transactions include the use and accumulation of government financial assets, as well as other below-the-line operations.

Table 5. Chile: Realism of Baseline Assumptions

Chile: Realism of Baseline Assumptions

Forecast Track Record 1/	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			

	real-time	t+3	t+5
Historical Output Gap Revisions 2/			

Comparator Group:

Emerging Markets, Commodity Exporter, Program

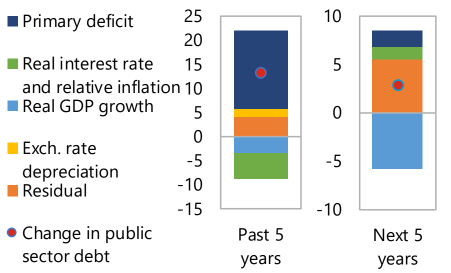
Color Code:

Optimistic
- > 75th percentile
- 50-75th percentile

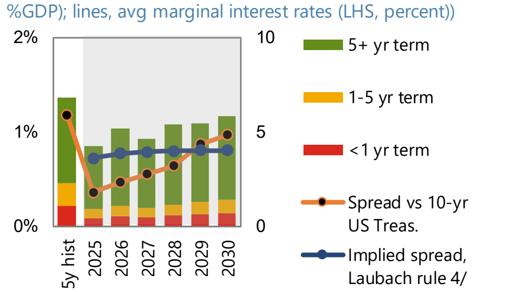
Pessimistic
- 25-50th percentile
- < 25th percentile

Public Debt Creating Flows

(Percent of GDP)

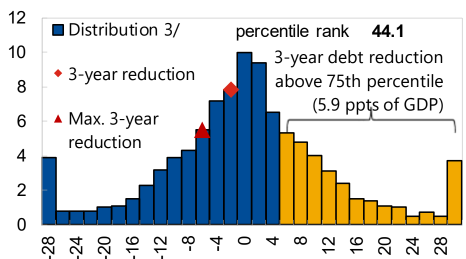


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

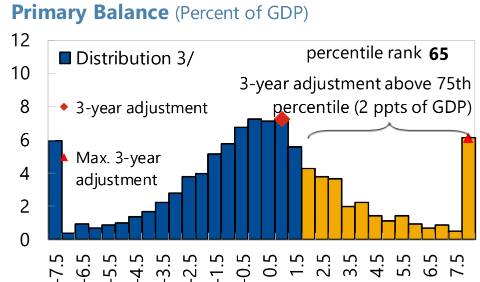


3-Year Debt Reduction

(Percent of GDP)

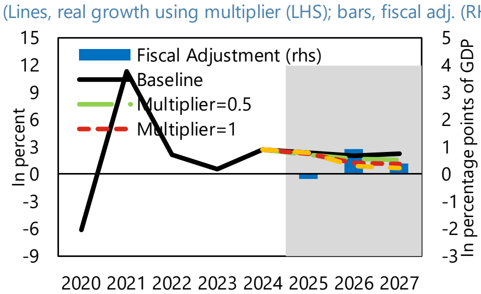


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



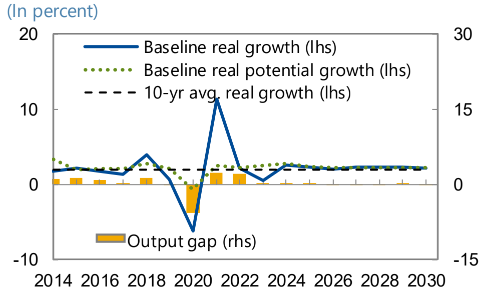
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Commentary: The realism analysis does not point to major concerns, and the forecast track record does not reveal any systematic bias. The projected fiscal consolidation is reasonable, when considering Chile's history and other country experiences. The residual contribution to the projected debt ratio comes from 'other flows,' including below-the-line operations like SOE recapitalization and payments on government-guaranteed student loans.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage. Program status not used in creating comparator group due to lack of data.

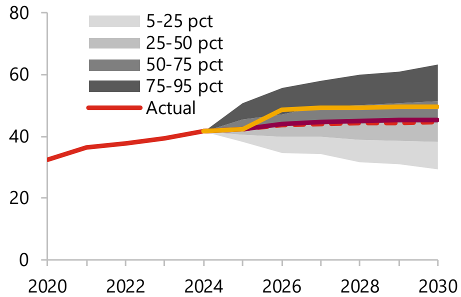
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

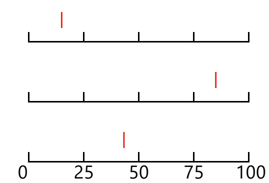
Table 6. Chile: Medium-Term Risk Analysis

Final Fanchart (Percent of GDP)

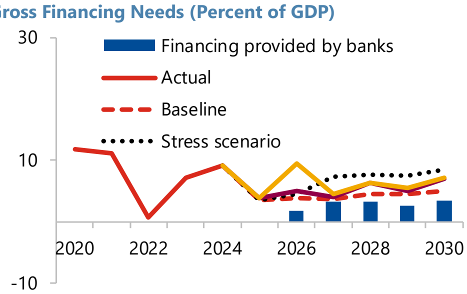


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	33.8	0.5	
Probability of debt non-stabilizaiton *(percent)*	28.8	0.2	
Terminal debt-to-GDP x institutions index	16.9	0.4	
Debt fanchart index (DFI)		1.1	
Risk signal: 3/		Low	

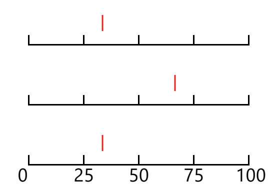


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

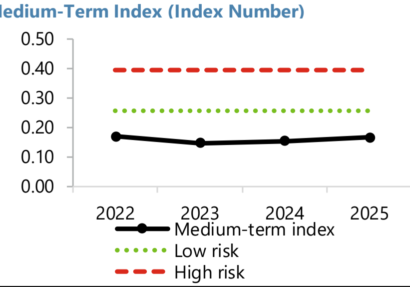
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	4.2	1.4	
Initial Banks' claims on the gen. govt *(pct bank assets)*	7.4	2.4	
Chg. In banks' claims in stress *(pct banks' assets)*	2.0	0.7	
GFN financeability index (GFI)		4.5	
Risk signal: 4/		Low	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	1.1	0.2	0.5	0.1
GFN finaceability index	4.5	0.1	0.5	0.0
Medium-term index		0.2		
Risk signal: 5/		Low		
Final assessment:		Low		

Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 62.5 pct.

Commentary: The debt fanchart and gross financing needs modules point to a low level of risk, underpinned by the government's commitment of keeping debt below a prudent ceiling of 45 percent of GDP, moderate gross financing needs, and the ability of the banking sector to act as a residual creditor under a stress scenario. The medium-term risk analysis also points to a low level of risk under a stress scenario of a natural disaster shock in the magnitude of 4.5 percent of GDP and a commodity price shock. Under broadly unchanged fiscal policies, i.e. an overall deficit of 2 percent of GDP, the debt-to-GDP ratio is projected to exceed 45 percent in 2026.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Table 7. Chile: Long-Term Risk Analysis I

Chile: Triggered Modules

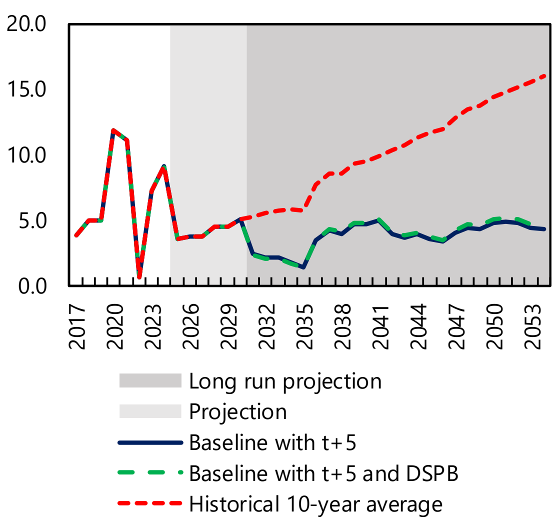
Large amortizations	**Pensions**	Climate change: Adaptation	**Natural Resources**
	Health	Climate change: Mitigation	

Chile: Long-Term Risk Assessment: Large Amortization

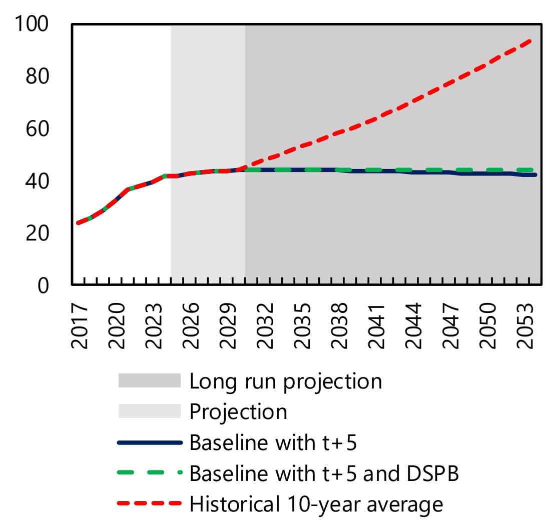
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	2030	2034 to 2038 average
Real GDP growth	2.2%	2.3%
Primary Balance-to-GDP ratio	0.2%	0.6%
Inflation (GDP deflator)	2.7%	3.0%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



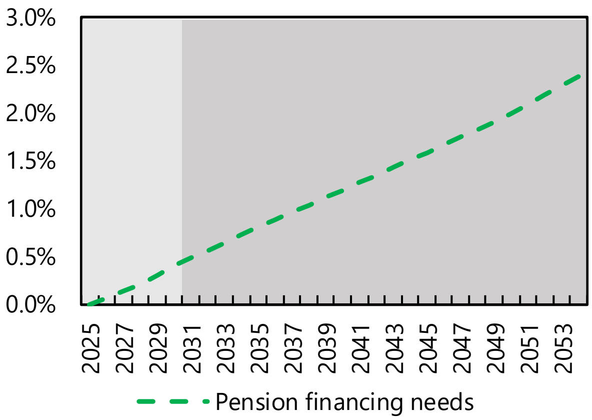
Commentary: The long-run amortization module does not trigger an overall risk indication. The overall long-run risk indicator is low. Under the baseline, debt stabilizes at around 40 percent of GDP in 2050, reflecting the government's commitment to a broadly balanced fiscal balance over the medium term. If historical 10-year averages are used, however, then debt could rise from around 42 percent to almost 100 percent of GDP by 2050. However, this simulation may not be representative as it reflects historically elevated gross financing needs, including the impact of the COVID-19 pandemic.

Table 8. Chile: Long-Term Risk Analysis II

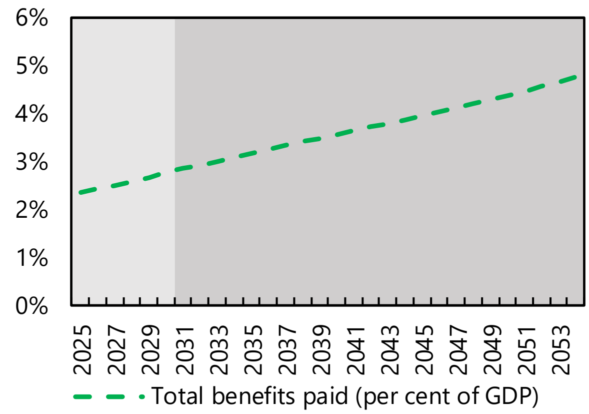
Chile: Demographics: Pensions

(Percent of GDP)	30 years	50 years	Until 2100
PGU Costs	4.8	6.2	7.0
Pension financing needs	2.4	3.8	4.6

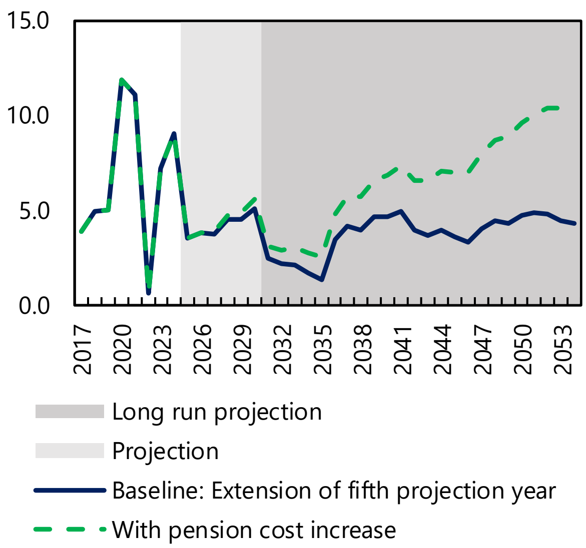
Pension Financing Needs



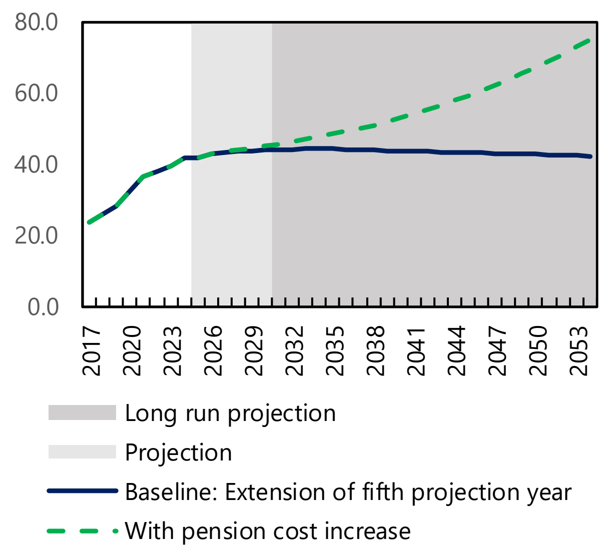
Total Benefits Paid



GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

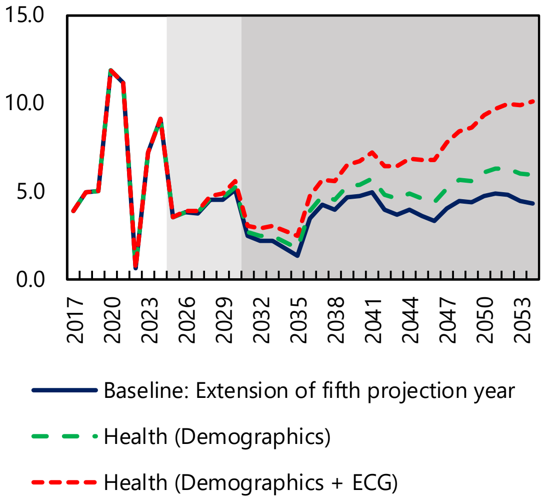


Commentary: Demographic dynamics would increase the fiscal costs of solidarity pensions (including mainly the PGU) from about 2.4 to 4.8 percent of GDP between 2025 and 2054. Assuming that available financing through general taxes for solidarity pensions remains at around 2.4 percent of GDP throughout the forecast period, this would imply an increase in debt to about 70 percent of GDP by 2050 (about 30 pp of GDP higher than in the baseline). The authorities also project the fiscal costs of solidarity pensions to increase to around 4.5 percent of GDP in 30 years in the case that pensions are adjusted in real terms in line with real wage growth, and to around 3.2 percent of GDP in case the value of solidarity pensions is kept constant in real terms, as foreseen by law.

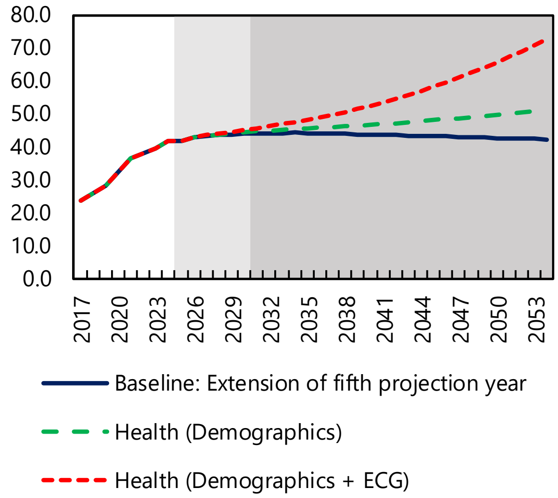
Table 9. Chile: Long-Term Risk Analysis III

Chile: Demographics: Health

GFN-to-GDP Ratio



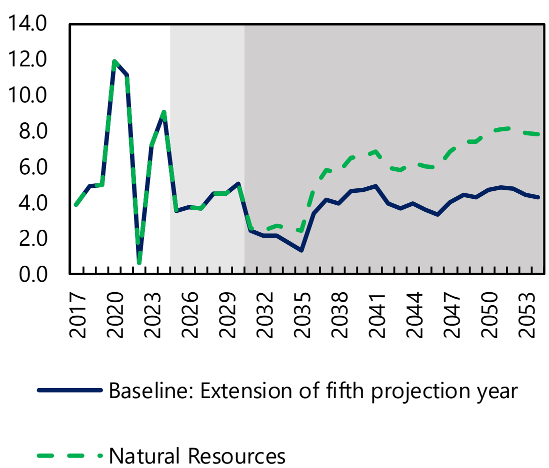
Total Public Debt-to-GDP Ratio



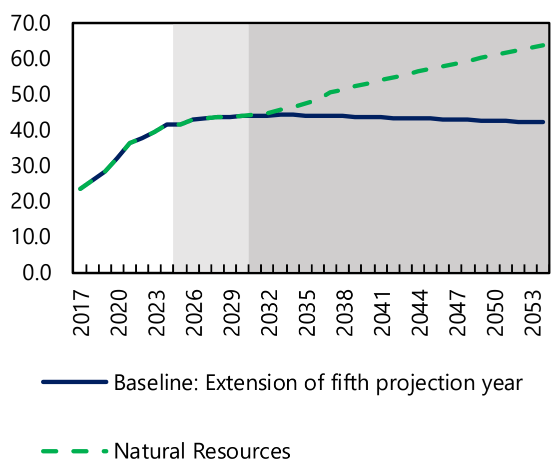
Commentary: Higher health costs due to demographics dynamics as well as excess cost growth of health (difference between health prices and aggregate CPI) would increase debt to about 70 percent of GDP by 2050.

Chile: Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: One source of risk is lower copper revenue due to lower production. We assume copper production to increase on average 1 percent annually between 2025-2035 and an annual production of 5 million tonnes is assumed thereafter. Copper revenues were around 1.4 percent of GDP in 2024. We assume copper prices to grow in line with US inflation at 2 percent after 2029, lower than Chile's GDP nominal growth. Taking changes in copper revenues into account, debt would be about 60 percent of GDP by 2050, and the GFN-to-GDP ratio would be about 3 percentage points of GDP higher than under the baseline by 2050.

CHILE

REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT—SUPPLEMENTARY INFORMATION

August 20, 2025

Approved By
Dora Iakova (WHD)

Prepared by the Chile Team of the Western Hemisphere Department

The information below has become available following the issuance of the staff report. It does not alter the thrust of the staff report.

1. **Economic activity in the first half of the year was slightly stronger than expected, while the labor market remained sluggish.** Real GDP growth for the first quarter was revised upward by 0.2 percentage points (y-o-y), and the economy grew by 3.1 percent in the second quarter (y-o-y), marginally above staff projections. The main driver in 2025Q2 was a strong performance of the mining sector, which grew by 4.0 percent (y-o-y). Non-mining sectors expanded by 3.0 percent, reflecting in part the base effect arising from the weak growth in the second quarter of 2024. On the expenditure side, investment showed signs of recovery with gross fixed capital formation increasing in the second quarter by 5.6 percent (y-o-y), partially offsetting the moderating growth contributions from net exports. Consequently, the four-quarter moving average current account deficit edged up to 2.2 percent of GDP in 2025Q2. Finally, the unemployment rate (seasonally adjusted) held steady at 8.9 percent in June (three-month moving average).

2. **Most of Chile's copper exports to the U.S. are exempted from the 50 percent tariffs announced on July 30.** The exemptions (232 tariffs and reciprocal tariffs) apply to refined copper, which make up the vast majority of Chile's copper exports to the United States. Non-copper exports from Chile to the U.S. remain subject to a 10 percent tariff. In the first half of August, copper prices declined marginally relative to July but were still about 5 percent above the 2024 average.

3. **The Central Bank of Chile (BCCh) started a new foreign reserve accumulation program on August 8.** The program is a key component of the central bank's financial management strategy that aims to gradually replace part of the existing foreign currency credit lines with its own international reserves. Under the three-year program, the BCCh will purchase up to US$25 million per day in foreign reserves and accumulate up to a total of US$18.5 billion. The BCCh will review the program every six months or when there are relevant changes in market conditions.

The reserve purchases will be sterilized through the issuance of central bank securities to avoid any effect on liquidity which ensures consistency with the monetary policy framework. Overall, this program is an important element to enhance Chile's resilience against external shocks. Its design aims to limit the impact on the exchange rate and the built-in flexibility provides space to deal with unforeseen developments. As of August 20, the BCCh accumulated US$180 million in international reserves.

4. **On July 29, the BCCh cut its policy rate by 25 basis points to 4.75 percent.** The BCCh communicated that future policy rate cuts would consider the evolution of the macroeconomic scenario and its implications on inflation. It also reaffirmed its commitment to conduct monetary policy with flexibility, so that projected inflation stands at the targeted 3 percent over the two-year horizon. Although headline inflation inched up to 4.3 percent (yoy) in July (data released on August 8) from 4.1 percent in June, this increase largely reflects a rebound following a 0.4 percent month-on-month CPI decline in June. Staff continues to project that inflation will converge to the 3-percent target in early 2026 after the effects of the electricity price hike dissipate.

5. **The authorities have revised the fiscal deficit projections marginally up for 2025 and the medium term.** The latest Public Finance Report (PFR) from July 2025 foresees structural and headline deficits this year to reach 1.8 percent of GDP and 1.5 percent of GDP, respectively, which is 0.2 pps and 0.1 pps higher than in the April PFR. The revisions reflect weaker mining revenue projections, mostly due to changes in the authorities' projected exchange rate, and stronger non-mining tax collection which partially offsets the downward revision of the former. Expenditure ratios remain broadly unchanged. Over the medium term, the authorities revised marginally upwards their outlook for the fiscal deficit relative to the previous PFR, expecting the headline deficit to narrow by 0.1 pps less in 2026-29.

Chile: Authorities' Fiscal Projections July 2025

(In percent of GDP unless indicated otherwise)

	2024	2025	2026	2027	2028	2029
Authorities						
Structural fiscal balance	-3.3	-1.8	-1.6	-1.0	-0.5	-0.2
Headline fiscal balance	-2.8	-1.5	-1.3	-0.8	-0.4	-0.2
Total revenues	21.6	22.8	22.9	23.4	23.7	23.7
Non-mining tax revenues	16.8	17.2	17.6	18.2	18.7	18.8
Private mining tax revenues	1.1	1.6	1.6	1.5	1.3	1.2
Total expenditures	24.4	24.3	24.2	24.2	24.1	23.9
Public debt	41.7	42.2	43.0	43.0	42.3	41.6
Copper price (USD cents/lb)	415	428	430	435	439	439
Real GDP (percent change)	2.6	2.5	2.3	2.2	2.2	2.2

Sources: Informe de Finanzas Publicas July 2025 and DIPRES.
Note: Authorities' projections include corrective actions.

Statement by Mr. Rodrigo Alfaro on Chile
August 26, 2025

On behalf of the Chilean authorities, we thank staff for the report confirming that Chile continues to meet the Flexible Credit Line (FCL) qualification criteria. The FCL has proven to be a valuable instrument against tail risks, which combined with Chile's very strong policies and institutional framework, has boosted market confidence. The authorities reaffirm their commitment to treat the FCL as a precautionary facility, and in a drawing scenario, resources would not be used for budget financing, consistent with the country's institutional framework.

Context

The external macroeconomic environment has become considerably more uncertain. Trade actions and tariff agreements taken by the U.S. administration will affect the global economy, with heterogeneous implications for emerging markets. For Chile, structural buffers —such as diversified trade destinations, the upstreamness of its exports, relatively inelastic U.S. demand, and an extensive network of trade agreements— provide some resilience. Nonetheless, as documented in the staff report, Chile's external economic stress index is now higher than when the 2024 FCL was approved, reflecting greater vulnerability to external shocks. Episodes such as the April spike in U.S. long-term yields and emerging market volatility underscore that Chile continues to face elevated external risks. In this context, precautionary financial buffers are a crucial complement to strengthen resilience and justify continued access to the FCL.

Despite the uncertain external environment, Chile's economic activity remains strong, although the labor market exhibits mixed signals. In the second quarter of 2025, the GDP grew 3.1 percent, and the first quarter of 2025 was revised up to 2.5 percent. For 2025, it is expected that GDP will grow 2.5 percent —an upward revision since the last Article IV consultation —reflecting stronger domestic demand. Although the unemployment rate stood at 8.9 percent in June, employment quality has improved due to a decrease in informal employment. The female labor force participation rate reached 53 percent, returning to pre-pandemic levels. Finally, the current account deficit remained at 2.2 percent of GDP, and the short-term external debt-to-GDP ratio was 19 percent.

Inflation is gradually returning to the 3 percent target, after being influenced by the rise in electricity bills. In July, headline inflation reached 4.3 percent, while core inflation was 4.0 percent. Based on financial instrument prices and surveys, headline inflation is expected to decline to 3.8 percent by year-end. Two-year inflation expectations remain anchored at 3 percent, in line with the Central Bank of Chile (CBC)'s two-year horizon target.

Headline and structural balances for 2025 are projected at 1.5 percent and 1.8 percent, respectively; noting that 0.2 pp of that structural deficit come from recent adjustments in historical national accounts. Effective revenues are projected to grow, including the effect of corrective actions, of 8.4 percent compared to 2024, reflecting the greater dynamism of the economy and the effectiveness of reforms aimed at increasing tax revenues, such as the Mining Royalty and the Tax Compliance Law. Central government spending, considering the implementation of corrective actions, is projected to grow 2.2 percent, the lowest figure since the structural fiscal rule was implemented. Consequently, the public debt-to-GDP ratio is projected at 42.2 percent for 2025.

The monetary policy rate will converge to its range of neutral values within the policy horizon. The CBC has indicated that future adjustments of the policy rate will consider the evolution of macroeconomic conditions and their implications for the convergence of inflation. In that respect, developments in the external sector remain critical, as Chile is a small open economy. The CBC also reaffirms its commitment to conduct monetary policy with flexibility to ensure that inflation reaches 3 percent over the two-year horizon.

The Chilean peso is a free-floating currency, serving as an external shock absorber for the economy. Since 1999, the CBC has maintained a free-floating exchange rate (FX) regimen. FX interventions have been exceptional and limited to addressing disorderly market conditions. On these occasions, the Bank conducted fully transparent programs, with announcements and financial conditions published after the market close. This exchange rate framework is supported by comfortable external liquidity buffers, currently around 20 percent of GDP, including both international reserves and access to credit lines.

The banking sector has continued to strengthen, with solvency indicators improving in line with the process of convergence to Basel III standards. The banking system is further adapting to the full implementation of Basel III and appears to be well prepared to withstand severe adverse scenarios, as was concluded from stress test exercises. Banks have built up sufficient provisions and collateral to cover potential defaults in their portfolios and exhibit sufficient liquidity buffers. Moreover, robust banking regulation and supervision, in line with international standards, provides a strong institutional framework that incentives the use of self-adjustment mechanisms and buffers. In addition, the framework contemplates a series of tools designed for use in exceptional situations, which have been complemented with new powers incorporated under the Resilience Law— and coordination instances between regulators and supervisors.

The Countercyclical Capital Buffer (CCyB), activated in May 2023, reinforces the resilience of the banking industry. The CBC has decided to maintain the CCyB at 0.5 percent of risk-weighted assets, consistent with the macrofinancial conditions and risks faced by the financial system. The authorities highlight the importance of having a pre-established capital buffer by the banks, which increases their capacity to withstand shocks. These buffers can be released in a severely stressed financial event to help mitigate its impact on the provision of credit to households and businesses.

Assessment

The approval of the pension reform marks a significant step towards increasing capital market depth. A gradual increase in the employer contribution rate will enhance self-financed pensions and strengthen the solidarity pillar. The full implementation of the reform will increase, in the medium term, the assets under management of pension funds, currently about 60 percent of GDP, back to pre-pandemic levels. This will strengthen the capacity of the financial system to absorb adverse shocks; however, the approved legal framework contemplates a gradual transition to allow for the necessary adaptations.

Amid heightened global uncertainty, the FCL continues to serve as an important buffer of international liquidity for the Chilean economy. As part of a gradual exit strategy from the FCL, the CBC announced a reserve accumulation program for up to USD18,500 million over three years, which will allow it to gradually adjust the current composition of its external liquidity buffers —international reserves and credit lines. As before, the program prioritizes transparent standards, remains robust to changes in external risk, and minimizes market disruptions.

Chile continues to meet all qualification criteria, with a sustainable external position and a strong track record in access to external financial markets. The country's long-standing inflation targeting and free-floating exchange rate regimen framework is supported by comfortable external liquidity buffers. Inflation has remained in a single digit and inflation expectations are well anchored to the CBC's two-year target of 3 percent. Furthermore, we appreciate staff's assessment on reserve adequacy, where several mitigation factors are considered along with simple benchmarks like the ARA metric, acknowledging the characteristics of the short-term external debt: including, the relevance of intercompany loans from foreign direct investors and the role of regulation to contain banks' short FX position. The authorities remain firmly committed to fiscal responsibility and debt sustainability, and staff's analysis concludes that debt is sustainable with high probability. Finally, the financial system remains sound, and the financial supervisory framework is robust.

Against this background, the authorities assess that the current access level remains appropriate and reiterate their commitment to treating the FCL as a precautionary arrangement.