

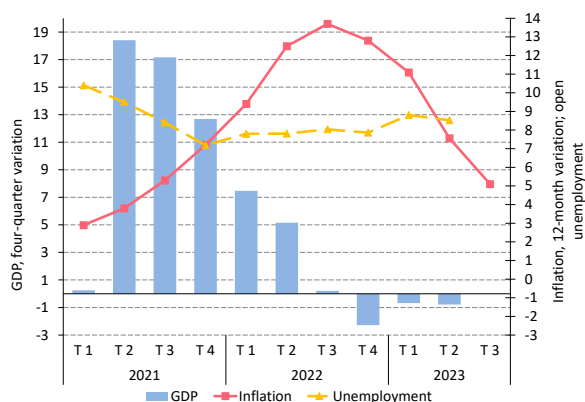
## Chile

The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that Chile's GDP will show growth of 0.1% for 2023, as the macroeconomic adjustment begun in 2022 nears completion. On the domestic demand side, private consumption has shown smaller and smaller year-on-year declines, while government consumption was higher than it was in 2022. On the external front, the cumulative total for exports up to September 2023 was slightly higher than during the same period of 2022, while imports were down. Inflation continued to slow throughout 2023, and in July of that year the Central Bank of Chile therefore began to lower the monetary policy interest rate. The decline in inflation has had the effect of increasing workers' real incomes. There have been signs of a stalling labour demand and an increase in the labour participation rate, however, and the unemployment rate has therefore been climbing. The current account deficit on the balance of payments narrowed in 2023, chiefly as a result of the lower level of imports. That decrease was attributable to the combined effect of more sluggish consumption and investment; as a result, the country ran a surplus on its goods trade account. For 2024, ECLAC projects GDP growth of 1.9%, thanks to the completion of the adjustment in domestic demand, lower inflation, interest rates that will be conducive to an increase in credit for consumption and investment, and a favourable statistical basis for comparison.

The central government's fiscal accounts are expected to close out 2023 with a deficit of 2.3% of GDP, in contrast to a surplus of 1.1% of GDP in 2022. This year's outcome reflects an estimated 11.1% downturn in revenues in real terms from their 2022 level as a consequence of decreased tax receipts from large-scale private mining companies (-36.2%) and from other taxpayers (-11.6%). In the former case, the drop was caused by lower sales and ore prices; in the latter, lower value added tax (VAT) receipts as a result of weakened domestic demand were to blame. Total expenditure is projected to increase by 2.2% in real terms over its 2022 level as a result of emergency spending associated with last winter's rains, the financing of the Santiago 2023 Pan American Games and interest payments. In 2024, the central government deficit is expected to narrow to 1.9% of GDP.

The central government's gross debt for 2023 is estimated at 38.2% of GDP (compared to 38.0% in 2022) and includes an estimated US\$ 15 billion bond issue. During 2023, Chile has continued to issue thematic bonds focused on sustainability and gender equality, enabling it to finance specific projects, broaden its investor base, obtain better financing terms and deepen the local financial market. In October 2023, these types of bonds accounted for 36% of the public debt. For 2024, central government gross debt is projected to approach 41% of GDP.

**Chile: GDP, Inflation and Unemployment, 2021-2023**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

After the monetary policy rate had been set at a peak of 11.25% in October 2022 and had then remained there for almost 10 months, in July 2023 the central bank started lowering it. The decline in inflation and the anchoring of expectations at 3.0% allowed the authorities to lower the monetary policy rate on three occasions up to mid-December, leaving it at a value of 9.0%. Given the outlook for a descending inflation rate, the market expects the policy rate to be lowered to 5.0% by the end of 2024.

As a result of the reduction in the monetary policy rate, interest rates for commercial loans fell from 16.6% in February to 13.2% in November 2023, while the rate for consumer credit declined from 29.4% and 27.5% during that same period. These rates are still higher than the averages for 2013–2020, however, which were 7.0% and 22.7%, respectively. Mortgage rates and the interest rates for export credits continued to climb, reaching 5.2% (the highest rate since 2009) and 7.5% (a peak not seen since 2019), respectively.

The nominal exchange rate was volatile in 2023, as it appreciated during the first half of the year, in line with the international trend in the United States dollar, and then depreciated in the second half as a consequence of the narrowing of the spread between monetary policy rates in Chile and in developed countries, together with increasing uncertainty about the direction being taken by monetary policy in those countries. In the first half of the year, the rate for the Chilean peso against the dollar descended from 859.5 to 802.7 (an appreciation of 6.6%) but then rose, reaching 867.8 to the dollar in late November (a depreciation of 8.1%). The future path of the exchange rate will principally be determined by economic indicators and monetary policy decisions in developed economies.

In the face of this surge in the exchange rate, the central bank decided to suspend its programme for restoring and expanding the country's international reserves after having bought US\$ 3.68 billion of the US\$ 10 billion that was to be acquired under that programme. At the close of November, reserves stood at US\$ 43.217 billion.

The country's macroeconomic adjustment process brought its deficit on the current account of the balance of payments down from 9.9% of GDP in the third quarter of 2022 to 3.5% of GDP in the third quarter of 2023. This reduction was the net effect of a surplus on the goods trade balance, thanks to a significant drop in imports (18.3% up to the third quarter of 2023), and smaller deficits on the service trade balance and the income account.

As of November 2023, goods exports (US\$ 86.984 billion) had slipped by 2.6% from their November 2022 level, while goods imports (US\$ 78.823 billion) had fallen by 18.5%. The mining industry is the chief source of the country's major exports. Copper exports were down by 2.1% to US\$

#### Chile: main economic indicators, 2021-2023

|   | 2021    | 2022    | 2023 <sup>a</sup>   |
|---|---------|---------|---------------------|
| <b>Annual growth rate</b>                 |         |         |                     |
| Gross domestic product                    | 11.7    | 2.4     | 0.1                 |
| Consumer prices                           | 7.2     | 12.8    | 5.1 <sup>b</sup>    |
| Real average wage <sup>c</sup>            | 1.1     | -1.8    | 2.9 <sup>b</sup>    |
| Money (M1)                                | 42.6    | -13.8   | -10.2 <sup>d</sup>  |
| Real effective exchange rate <sup>d</sup> | -4.2    | 7.4     | -6.8 <sup>b</sup>   |
| Terms of trade                            | 12.0    | -8.1    | -2.1                |
| <b>Annual average percentage</b>          |         |         |                     |
| Open unemployment rate                    | 8.9     | 7.9     | 8.5 <sup>f</sup>    |
| Central government                        |         |         |                     |
| Overall balance / GDP                     | -7.7    | 1.1     | ...                 |
| Nominal deposit rate <sup>f</sup>         | 1.7     | 9.2     | 10.3 <sup>b</sup>   |
| Nominal lending rate <sup>g</sup>         | 10.0    | 16.8    | 18.8 <sup>b</sup>   |
| <b>Millions of dollars</b>                |         |         |                     |
| Exports of goods and services             | 100 747 | 107 078 | 55 365 <sup>i</sup> |
| Imports of goods and services             | 102 595 | 118 094 | 49 304 <sup>i</sup> |
| Current account balance                   | -23 193 | -27 102 | -1 084 <sup>i</sup> |
| Capital and financial balance             | 35 405  | 17 901  | 1 213 <sup>i</sup>  |
| Overall balance                           | 12 211  | -9 201  | 129 <sup>i</sup>    |

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of September.

c/ General index of hourly remuneration.

d/ Figures as of August.

e/ A negative rate indicates an appreciation of the currency in real terms.

Refers to the global real effective exchange rate.

f/ Figures as of June.

g/ Average nominal deposit rates for 90-360 days, non-adjustable.

h/ Lending nominal rates for 90-360 days, non-adjustable.

i/ Data for 2023 correspond to the sum of the first and second quarters.

j/ Includes errors and omissions.

39.27 billion as of November 2023. The fact that lithium prices were lower in 2023 than they had been in 2022 was one of the factors behind the 29.9% year-on-year decrease in the value of lithium exports as of November. At a value of US\$ 32.376 billion, the country's second-biggest export category — industrial exports— were not exhibiting any major year-on-year variation as of October 2023. As a reflection of weak domestic demand, year-on-year declines were seen in all categories of imports, with the drops amounting to -23.6% for consumer goods, -18.3% for intermediate goods and -11.6% for capital goods.

A net inflow of US\$ 6.673 billion was recorded in the financial account up to the third quarter of 2023, partly as a result of inflows of US\$ 10.044 billion in net foreign direct investment. The cumulative total of capital inflows in the form of direct investment as of September 2023 came to US\$ 16.331 billion, which was similar to the level of foreign direct investment recorded for the corresponding period of 2022, which was the highest level reached since 2014. These inflows were directed primarily to the energy, mining and technology sectors.

In 2022, the central bank and the government had embarked on a macroeconomic adjustment effort in response to overspending in the domestic economy in 2021 and early 2022. Those measures continued to be applied in 2023 but the adjustment now appears to be nearing completion [Author: please confirm]. The impact of the adjustment on private consumption eased as the year progressed, with this category of consumption weakening by a year-on-year rate of 7.1% in the first quarter, 6.0% in the second and 3.6% in the third. Gross fixed capital formation displayed a cumulative year-on-year drop of 1.7% up to the third quarter of 2023, with year-on-year falls in the categories of machinery and equipment and construction and works. Reflecting the weakness of the real estate sector, this latter category has shown year-on-year contractions for the last four quarters in a row. Private consumption and investment are both expected to have decreased for 2023 as a whole, but consumption is expected to pick up in 2024 thanks to real wage hikes and lower inflation. The lower bank interest rates triggered by reductions in the monetary policy rate are likely to buoy private consumer credit and investment loans, although a decrease in this latter category of expenditure is projected for 2024.

As mentioned, inflation eased from a peak of 14.1% in August 2022 to 4.8% in November 2023. This deceleration was attributable to the central bank's tight monetary policy and the resulting drop in domestic demand, a lower exchange rate and reductions in food and energy prices, although the latter did rise in the closing months of the year. The core inflation rate was stable until mid-2023, when it began to fall, reaching 6.0% in November 2023 after having peaked at 11.1% in September 2022. The drop in inflation in the services sector contributed to this result. The inflation rate is expected to have stayed within a range of 4.0%–5.0% in 2023 and to subside to the target of 3.0% in 2024.

The unemployment rate rose to 8.9% in August-October 2023, after having held fairly steady in 2022 at around 7.8%, because the expansion of the labour force (2.1%) outstripped the increase in the number of employed persons (1.0%) between December 2022 and October 2023. Although employment levels have risen since 2021, more than 10,000 of the jobs that were lost during the coronavirus disease (COVID-19) pandemic have yet to be recovered. At 9.1%, the female unemployment rate continues to outdistance the male jobless rate (8.7%) owing to the entry of more women into the labour market. As of October 2023, wages had climbed by 6.7% in nominal terms during the year and, thanks to the combination of this increase with lower inflation, real wages were up by 2.8% during the same period.