

CHILE

Table 1 **2023**

Population, million	19.6
GDP, current US\$ billion	335.9
GDP per capita, current US\$	17113.5
International poverty rate (\$2.15) ^a	0.4
Lower middle-income poverty rate (\$3.65) ^a	0.9
Upper middle-income poverty rate (\$6.85) ^a	4.7
Gini index ^a	43.0
School enrollment, primary (% gross) ^b	100.2
Life expectancy at birth, years ^b	79.5
Total GHG emissions (mtCO2e)	42.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth is recovering in 2024 as tight fiscal and monetary policies are gradually relaxed, but inflation is proving stubborn on the last mile towards target and reforms are needed to rekindle productivity growth. The labor market continues to recover, although gender gaps persist. Poverty and inequality are expected to stay around 2023 levels. Climate change presents both challenges and new opportunities for green growth.

Key conditions and challenges

Chile has a track record of sound macroeconomic policies and robust institutions, which enabled it to restore macroeconomic balance after the disruptions created by COVID-19 and its aftermath. Over the past decade, growth averaged 2 percent, while productivity stagnated, constraining the creation of better and higher-paying jobs. Gender gaps in labor market outcomes remain pronounced. While income poverty has significantly declined, regional disparities persist and progress in non-monetary dimensions lags. Inequality of opportunities and low quality of public services constrain upward social mobility.

Reforms focusing on reducing regulatory barriers, fostering technology adoption, promoting competition, improving education and managerial capabilities, and increasing female labor force participation and job quality could help raise potential growth. Chile is expected to benefit from the green transition given its potential for renewable energy and endowment with copper and lithium, critical inputs to electrification. Chile is vulnerable to climate change, being affected by droughts, floods, and wildfires.

Recent developments

Real GDP grew 1.9 percent y-o-y in the first half of 2024, largely driven by the

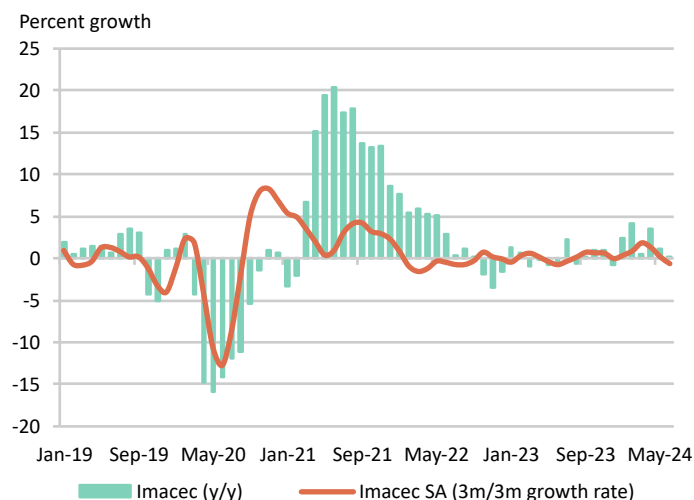
mining sector. Non-mining sectors, including manufacturing, commerce, and services, remained weak. On the demand side, growth was led by public investment and exports.

Poverty (\$6.85/day per capita 2017 PPP) stayed around 5 percent between 2022 and 2023. The Gini inequality coefficient remained at 43 points. Poverty is higher among women, the youth, and low-skilled workers.

The employment rate increased by 1.2 percentage points (pp) y-o-y in the first half of 2024, reaching 56.9 percent by June, still below the pre-pandemic value (58.1 percent in 2019H1). Unemployment fell slightly by 0.2 pp to 8.3 percent. Gender gaps in the labor market deepened, with the employment rate increasing at a higher pace for men than for women, reaching 66.2 and 48.0 percent, respectively. Unemployment fell to 7.9 percent for men but rose to 9.0 percent for women. Job quality deteriorated, especially among women, with informality reaching levels of 26.9 and 29.9 percent for men and women, respectively.

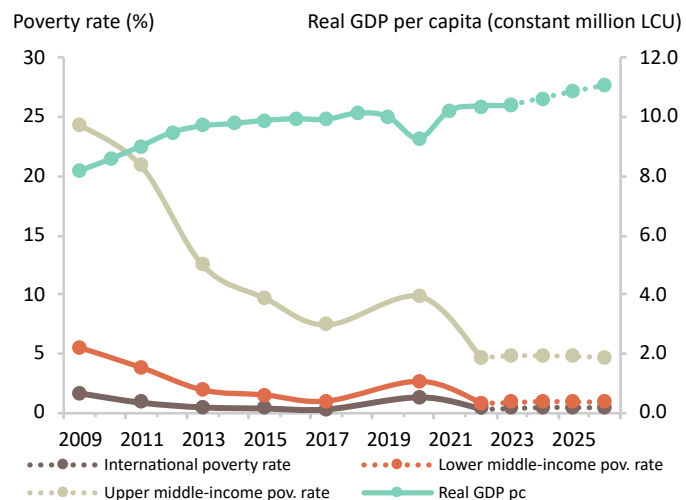
The inflation reduction trajectory since the peak in 2022 hit a bump in March 2024 when inflation started rising again and reached 4.7 y-o-y in August. This was the result of currency depreciation in the first four months of the year and an adjustment in electricity tariffs that had been frozen since 2019. The Central Bank temporarily paused the monetary easing cycle at its July meeting but resumed it in August. The exchange rate has since stabilized at around 930 CLP / US\$, while the gradual increase in electricity prices is scheduled to continue until January 2025.

FIGURE 1 Chile / Growth of the IMACEC (monthly indicator of economic activity)



Source: World Bank based on Central Bank of Chile.

FIGURE 2 Chile / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Real public expenditures rose 6.5 percent y-o-y in 2024H1 as public investment accelerated, while real revenues contracted 4.7 percent. The latter was due to a significant decline in annual income tax collection after weak economic activity in 2023, which was only partially offset by higher copper revenue. As a result, the 12-month rolling fiscal deficit reached 3.6 percent of GDP in June 2024.

Outlook

Real GDP growth is expected at 2.5 percent in 2024 and to converge to potential in 2025 and 2026. Net exports continue to be a main driver of growth this year, while consumption is expected to recover amid lower interest rates. Investment will

likely contract this year, but a recovery is expected in the medium term as expectations and business confidence improve. The successive adjustments to electricity tariffs will keep inflation above 4 percent in the coming quarters. Inflation is expected to decline afterward, returning to the 3 percent target by the first half of 2026. As this is a temporary supply side shock, the Central Bank is expected to continue with the monetary policy easing until the rate is closer to neutral at around 4 percent. Based on these growth and inflation projections, poverty (US\$6.85/day, 2017 PPP) and income inequality are estimated to remain around 5 percent and 43 Gini points in 2024, respectively, and fall gradually thereafter. Fiscal revenue is expected to pick up in 2024H2 amid recovering growth and high copper prices, which would be partially

offset by lower lithium prices. The fiscal deficit would shrink to 2 percent of GDP and continue to narrow gradually over the medium term amid a decline in the expenditures-to-GDP ratio. These projections assume a consolidation path toward medium-term structural deficit targets. The public debt-to-GDP ratio is projected to be near 41 percent by 2026. The current account deficit is expected to decline toward 2 percent over the medium term assuming continuously high copper prices.

Downside risks to the outlook include geopolitical tensions, weaker-than-expected growth in the U.S. and China, and stronger-than-expected climate effects like El Niño and La Niña. Domestic risks stem mainly from political gridlock blocking structural reforms and potential social discontent.

TABLE 2 Chile / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.3	2.1	0.2	2.5	2.2	2.2
Private consumption	21.0	1.6	-5.2	2.6	2.2	2.2
Government consumption	14.1	6.5	1.7	4.5	2.4	0.2
Gross fixed capital investment	16.0	3.9	-1.1	-0.5	3.9	3.7
Exports, goods and services	-1.5	0.8	-0.3	4.7	2.9	3.1
Imports, goods and services	31.9	1.5	-12.0	3.4	4.4	3.2
Real GDP growth, at constant factor prices	10.2	2.3	1.1	2.5	2.2	2.2
Agriculture	3.8	-0.1	-0.4	2.5	2.3	2.2
Industry	1.9	-1.8	2.7	3.1	1.9	1.8
Services	14.7	4.2	0.6	2.3	2.3	2.3
Inflation (consumer price index)	4.5	11.6	7.6	3.7	4.5	3.0
Current account balance (% of GDP)	-7.3	-8.6	-3.5	-2.6	-2.4	-2.1
Net foreign direct investment inflow (% of GDP)	0.2	1.7	4.6	3.0	3.0	3.0
Fiscal balance (% of GDP)	-7.5	1.4	-2.3	-2.0	-1.4	-1.1
Revenues (% of GDP)	26.1	28.0	25.1	22.8	23.0	23.0
Debt (% of GDP)	36.4	37.8	39.4	40.5	41.2	41.1
Primary balance (% of GDP)	-6.7	2.4	-1.2	-0.8	-0.1	0.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.1	0.4	0.4	0.4	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.3	0.9	0.9	0.9	0.9	0.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	3.5	4.7	4.9	4.9	4.8	4.7
GHG emissions growth (mtCO₂e)	2.6	-13.6	-2.9	2.6	1.9	1.8
Energy related GHG emissions (% of total)	171.7	182.1	183.7	180.8	178.6	176.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-CASEN. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.