

# CHILE

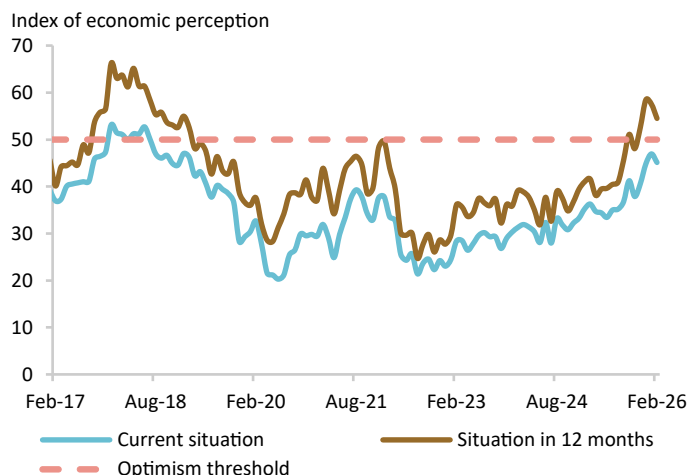
GDP growth slowed to 2.5 percent in 2025, as supply-side constraints in mining mitigated the impulse from rising investment. Inflation eased into the tolerance band, but the fiscal deficit overshot its target. Growth is expected to edge down in 2026, and poverty is projected to continue its steady decline.

## Key conditions and challenges

Market-oriented reforms propelled Chile to Organisation for Economic Co-operation and Development membership in 2010 and made it Latin America and the Caribbean's first high-income country, but its development model has since been losing steam: GDP per capita growth has declined from 3.2 percent in the 2000s to 2.1 percent in the 2010s and 1.2 percent between 2020 and 2024. Fiscal performance has also deteriorated: the structural balance target has been missed in 13 of the past 20 years, public debt is approaching the self-imposed 45 percent of GDP ceiling, and the sovereign credit rating has been downgraded by two notches over the past decade, though it remains investment grade. Reversing two decades of weak total factor productivity is essential to lifting potential growth.

Poverty (under the US\$8.30 2021 PPP line) has fallen steadily over the past two decades—except in 2020—making Chile the country with the lowest poverty rate in the region at 4.5 percent. Income inequality, measured by the Gini coefficient, has also declined and now aligns with the regional average. Multidimensional poverty has

**FIGURE 1 /** Business sentiment turns optimistic for the first time since 2010



Source: Central Bank of Chile.  
Notes: Diffusion index. Values above 50 indicate optimism. Values below 50 indicate pessimism.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>19.9</b>	<b>0.9</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>81.2</b>	<b>100.3</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>357.8</b>	<b>18014.5</b>

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

decreased, but 15 to 30 percent of households report gaps in education quality, employment, housing, safety, and inclusion—priority areas for targeted social policies.

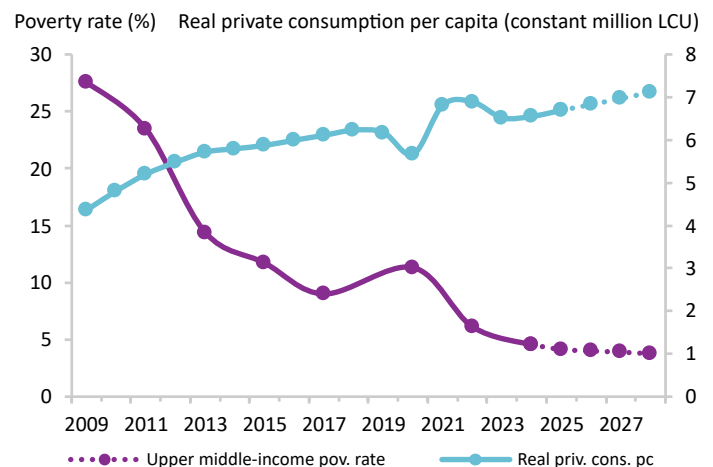
## Recent developments

Full-year GDP growth in 2025 was 2.5 percent, revised downward after mining output contracted in the second half of the year. Non-mining output grew 3.0 percent, driven by services. Investment outperformed expectations, underpinned by large mining and energy projects.

Unemployment declined to 8.0 percent by end-2025, still above the 6.8 percent pre-pandemic average, with women slightly above. The weak recovery reflects elevated labor costs, slow growth in labor-intensive sectors, and constrained non-mining investment.

Inflation averaged 4.2 percent in 2025 but returned to the Central Bank's 2–4 percent target band by August 2025, prompting a resumption of the easing cycle, with the policy rate cut by a cumulative 50 basis points to 4.50 percent by end-2025.

**FIGURE 2 /** Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Commercial lending returned to positive year-on-year growth between August and December, reversing a contraction cycle of over two years. Consumer credit growth has remained negative since early 2020, reflecting tighter collateral requirements and weak demand.

The current account deficit remained at 1.2 percent of GDP, supported by high copper prices.

The fiscal deficit reached 2.8 percent of GDP in 2025, or 3.6 percent on a cyclically adjusted basis under Chile's budget rule, above the 1.6 percent structural target. The shortfall was driven by lower-than-expected non-mining revenue. Although corrective measures were announced as forecasts deteriorated, implementation lagged. Public debt stayed at 41.4 percent of GDP, supported by assets drawdowns, with the Economic and Social Stabilization Fund at 1.0 percent of GDP, below the International Monetary Fund's recommended 5–7 percent.

In January 2026, the government released revised official poverty estimates using a new methodology, raising the 2024 poverty rate to 17.3 percent (from 4.9 percent previously) while maintaining the long-term trend of a roughly 20-point decline since 2009. Between 2022 and 2024, poverty declined from 20.5 to 17.3 percent.

## Outlook

Real GDP growth is expected at 2.4 percent in 2026, in a baseline scenario without major policy changes, supported by mining investment and its economy-wide spillovers. Business sentiment crossed the optimism threshold for the first time

since May 2019 (Figure 1), and a new permitting law is set to strengthen investment conditions. These gains may be tempered by the Middle East conflict, which raises energy costs and uncertainty, lifting inflation to 3.8 percent in 2026 before returning to the Central Bank's 3 percent target by mid-2027. The current account is projected to deteriorate, with elevated copper prices partially offsetting the energy shock.

Over the medium term, growth is expected to revert to its 2.3 percent potential as investment moderates. Productivity enhancing reforms, including on education quality, innovation, female labor force participation, and export diversification, could significantly raise potential growth. Poverty (at the US\$ 8.30 2021 PPP line) is projected to decline slowly from 4.5 percent in 2024 to 3.8 percent in 2028.

Fiscal revenue is projected to rise by 0.5 percentage points of GDP in 2026, supported by the 2025 Tax Compliance Law and elevated copper prices. Updated projections point to a fiscal deficit of 1.8 percent of GDP in 2026, with the structural deficit expected to exceed its target, requiring corrective measures. With the new administration signaling significant spending cuts, the 2027–2028 outlook assumes only committed expenditures, implying fiscal consolidation and public debt at 42.8 percent of GDP.

Domestically, risks are broadly balanced: the new administration may leverage early political capital to advance pro-growth reforms, but transition-related policy uncertainty could weigh on activity. Externally, persistent global uncertainty, including trade tensions and the risk of prolonged oil market disruption from the Middle East conflict, could dampen export demand, raise production costs, and weaken domestic confidence.

## Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	0.7	2.8	2.5	2.4	2.3	2.3
Private consumption	-4.7	1.1	2.7	2.5	2.5	2.5
Government consumption	2.3	2.8	3.0	2.5	2.2	2.2
Gross fixed capital investment	0.3	-1.6	7.0	4.3	4.0	3.5
Exports, goods and services	0.3	7.2	4.6	1.5	2.1	2.1
Imports, goods and services	-11.1	2.1	10.5	3.0	3.8	3.6
<b>Real GDP growth, at constant factor prices</b>	1.5	3.2	2.4	2.4	2.3	2.3
Agriculture	0.2	7.8	7.9	1.8	1.8	2.1
Industry	3.2	3.6	0.6	1.7	1.7	1.7
Services	0.9	2.7	2.8	2.7	2.6	2.5
<b>Employment rate (% of working-age population, 15 years+)</b>	56.0	55.9	56.6	56.6	56.6	56.6
<b>Inflation (consumer price index)</b>	7.6	4.3	4.2	3.8	3.6	3.0
<b>Current account balance (% of GDP)</b>	-3.1	-1.2	-1.2	-2.5	-2.5	-2.5
<b>Net foreign direct investment inflow (% of GDP)</b>	3.2	2.8	1.6	2.4	2.4	2.4
<b>Fiscal balance (% of GDP)</b>	-2.3	-2.8	-2.8	-1.8	-1.6	-1.4
<b>Revenues (% of GDP)</b>	25.1	23.8	24.2	24.7	24.7	24.7
<b>Debt (% of GDP)</b>	39.3	41.4	41.4	41.7	42.8	42.8
<b>Primary balance (% of GDP)</b>	-1.6	-1.8	-1.8	-1.0	-0.7	-0.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	..	4.5	4.2	4.0	3.9	3.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-15.7	4.6	5.0	3.9	1.6	1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-CASEN. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.