



External Committees Raise Estimates for Trend GDP Growth to 2.9% and Long Run Copper Price to US\$2.98 per pound

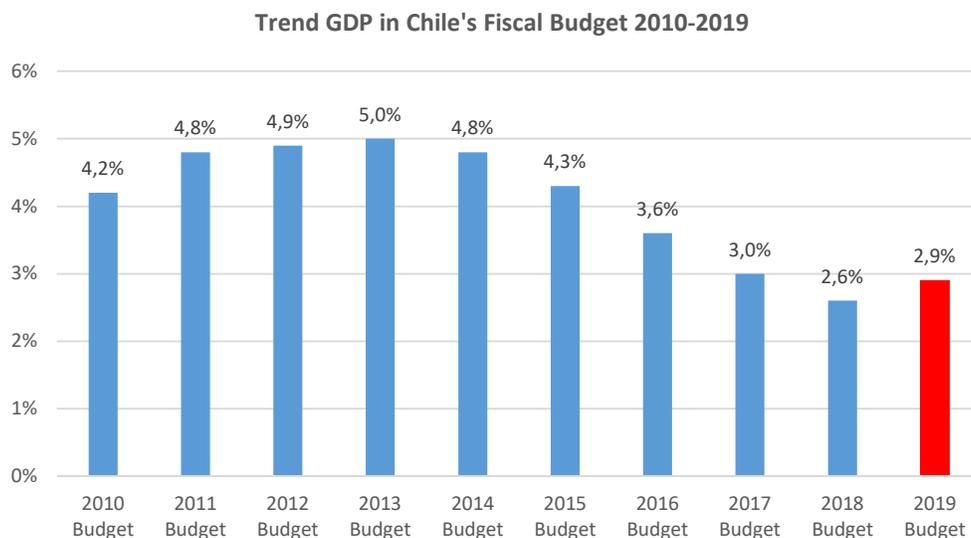
Last August 31st, the Minister of Finance, Felipe Larraín, presented the structural parameters to be used in the 2019 Budget Bill, which is currently being prepared jointly by the Ministry of Finance and the Budget Office.

Chile's fiscal policy is based on a structural balance rule, in which structural expenditures are constrained by structural revenues over time. These revenues are determined by estimates on the economy's long-run growth rate and the long-term copper price that are supplied on an annual basis by independent committees of experts.

This year, the committees of external experts increased their estimate on the long-term copper price from US\$ 2.77 to US\$2.98 per pound, and also increased the estimate on trend real GDP growth for the Chilean economy from 2.6% to 2.9%.

“This is the first time in six years that the estimate on Chile's long-term GDP growth rate increases. We have experienced declines in this parameter since the 2014 Budget Bill. This is great news, but it is also a challenge. We must continue working on raising potential output and the long-run sustainable growth rate of the Chilean economy”, highlighted Minister Larraín during the announcement of the new estimations, alongside Budget Director Rodrigo Cerda.

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Regarding the reasons behind the increase in the estimation of long-run GDP growth, the authority explained that the committee is forecasting an important increase in investment, with positive rates of growth in every year until 2023, as well as improvements in productivity.

“The experts’ projection on trend GDP for the next years is increasing. Our aim is to continue increasing this estimation, based on the economic policies of the government of President Piñera”, said the Minister of Finance. It is important to note that these updated trend growth estimates do not consider potential gains from the tax modernization bill.

Having been asked about the growth outlook for the second half of 2018, Minister Larraín responded that the headline figures are expected to be more challenging, mainly due to base effects. Despite that, the authority forecasts a significant expansion of the Chilean economy in the second half of the year.