Monthly Economic Update

March 31st, 2025

On January 29th, Congress gave final approval to President Gabriel Boric's reform of the pensions system. The law aims to boost future pensions by requiring employers to contribute to the system (rising to 7% of workers' salaries within 9 years). Most of this will go to workers' individual accounts which will continue to be managed by the private pension administrators (AFPs) although 1.5% will be lent to the government to support the pensions of the low paid.

In March, Carolina Tohá resigned as Interior Minister to stand in this year's presidential elections. She was replaced by Álvaro Elizalde (previously General Secretary of the Presidency). Labour Minister Jeannette Jara is also expected to resign in the coming weeks to run for the Communist Party, building on her legislative successes, including the pension reforms, the 40-hour week and the increase in the minimum wage.

The race to become Chile's next president has narrowed in the recent weeks as more candidates join the race. According to the latest CADEM poll, support for centre-right frontrunner Evelyn Matthei has fallen to 20% (from 26% in December) as support for far-right deputy Johannes Kaiser has grown (to 11%), putting him ahead of rival José Antonio Kast (10%). So far Kaiser and Kast have refused to join a primary with Matthei's Chile Vamos pact.

Backing for Tohá has risen to 8% since she left government and former president Michelle Bachelet announced that she will not run. Running for the Party for Democracy (PPD), she is expected to stand in a primary against candidates from other left-wing parties. The number of candidates is expected to grow significantly with more than seventy individuals currently gathering signatures to stand.

Karol Cariola (Communist Party) resigned as president of the Chamber of Deputies in March after police raided her apartment as part of a corruption investigation and leaked WhatsApp messages showed that she had sought favours for Santiago businessmen and harshly criticized allies, including President Boric.

On February 25th, a fault on a major power line cut electricity supplies to much of northern and central Chile for several hours. The Central Bank estimated that the power cut could have reduced economic activity in the month by 0.5-0.8%.

In February, Anglo American and Codelco announced a landmark agreement to run their adjacent Andina and Los Bronces copper mines as a single operation from 2030. The single mining plan will allow the companies to produce an additional 2.7 million tonnes of copper over 21 years without significant additional investment.

BHP has begun permitting for a US$2.3 billion investment to expand processing capacity at its Escondida mine. The project, which will allow the mine to maintain production despite declining ore grades, is the first part of up to US$11 billion that the company plans to invest in the world's largest copper mine.

Economic Statistics

The economy has picked in recent months boosted by strong activity in the manufacturing and retail sectors. Preliminary data suggests the economy grew by 2.5% in January (following 2.1% growth in December and 4.0% in the fourth quarter). The contribution of the mining sector remains volatile, after growing by 1.3% in December, it was close to flat in January.

In March, the Central Bank predicted that the economy would grow by 1.75-2.75% this year (up from 1.5-2.5% forecast in December), driven by rising investment and private consumption. But the bank warned that rising tariffs around the world could slow global economic growth, impacting activity in Chile.

Business and consumer confidence haves strengthened in recent months. In February, the Monthly Business Confidence Indicator (produced by the Adolfo Ibáñez University and business organization ICARE) reached 46.05 points, up five points from December and its highest level since the start of the current government. The rise reflects increased optimism in construction, manufacturing and retail, which moved back into positive territory for the first time in eight months.

GfK's Economic Perception Index reached 36.3 points in February, up six points from four months earlier and its highest level in more than three years. The move reflects increased confidence in the consumers´ personal situation, the state of the economy and the short-term economic outlook.

Inflation has climbed this year driven by higher energy prices and the weak Chilean peso. The government's Consumer Price Index rose by 1.1% and 0.4% in January and February, respectively, (compared with 0.2% and -0.2% in the previous two months), lifting an annual inflation to 4.7% in February, up from 4.2% here months ago.

Inflation expectations have also climbed. Private analysts surveyed by the Central Bank in March predicted that the index will end 2025 at 4.0%, up from 3.5% three months, before declining to 3.0% by early 2027. The Central Bank itself is more optimistic, predicting a decline to 3.8% by December 2025 and to its medium term target rate of 3.0% by early 2026.

The Chilean peso has appreciated significantly against the US dollar this year, reflecting the weakness of the US currency as rising tariffs threaten domestic growth as well as the rise in copper prices. By late March, the Chilean peso was trading around CLP 930/dollar, up around 8.5% from its peak in early January.

Share prices have rallied since the start of the year, driven by higher copper prices, the approval of the pension reform and the stronger dollar. By late March, the IPSA index of the largest companies of the Santiago Stock Exchange had gained almost 14% to record levels above 7,600 points.

Copper prices have rallied almost 15% this year reaching US$4.52/lb by late March, driven by concern that US President Donald Trump could impose tariffs on copper imports.

Chile's trade surplus reached US$5.0 billion during the first two months of the year, little changed from a year ago, as exports and imports surged. Exports rose 5.8% to US$18.4 billion (including a record US$10.4 billion in January), driven by higher mineral and agricultural exports. Imports increased by 6.9% to US$13.4 billion as imports of capital and consumer goods rose, offsetting lower energy imports.

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