

# Monthly Economic Update

May 30th, 2025

The race to become Chile's next president has tightened. The latest CADEM poll (published May 26<sup>th</sup>) showed that radical right-wing leader José Antonio Kast has closed the gap with centre-right frontrunner Evelyn Matthei with both receiving around 17% of spontaneous responses. They are followed the centre-left former interior minister Carolina Tohá (10%) and libertarian Johannes Kaiser (6%). But almost a third of those asked did not know who they would vote for in November.

The outcome could become clearer after the government parties hold a primary election to select their official candidate on June 29<sup>th</sup>. Voters will be able to choose between Tohá, former labour minister Jeannette Jara (Communist Party) and the deputies Jaime Mulet (Regionalist Green Party) and Gonzalo Winter (from President Gabriel Boric's Broad Front).

Polls continue to show that support the government remains limited. Just 28% of those asked approved of the president's performance while 66% disapproved.

Public finances watchdog CFA has criticized as insufficient government efforts to reduce spending after revenues failed to meet expected targets. Persistent deficits and low growth could see government debt exceed the ceiling of 45% of GDP, leaving no room for future administrations to increase spending.

Finance Minister Mario Marcel has said he will cut spending by almost US\$2.0 billion this year compared to the level approved by Congress last November in order to reduce the public deficit to 1.4% of GDP, down from 2.8% last year. It comes after the government dropped a major tax reform designed to boost

revenues – by raising taxes on dividends and high-income earners while cutting the corporate tax rate - due to a lack of support from the centre-right opposition in Congress.

On April 29<sup>th</sup>, the Central Bank held its benchmark interest rate at 5.00% for the fifth consecutive month as it evaluated the fall-out from US tariffs on the global economy. Analysts surveyed by the Bank in early May expect the rate to fall to 4.50% by next December and 4.25% by late 2026.

Chile has begun negotiations with the US government after President Trump imposed a 10% “reciprocal” tariff on imports from hundreds of countries. Chile would like return to the terms agreed under the 2003 Free Trade Agreement which eliminated tariffs on almost all goods as well as avoid a threatened tariff on copper imports.

Rio Tinto has been selected by state mining companies Codelco and ENAMI as the private partner for two lithium projects in northern Chile. The Anglo-Australian company will invest around US\$1.3 billion to earn stakes in the projects which could produce more than 100,000 tonnes annually of lithium carbonate equivalent.

France's TotalEnergie is seeking authorization to build a US\$16.0 billion complex to produce green ammonia from wind energy in the southernmost Magallanes region. It is the largest ever project submitted under Chile's environmental assessment system.

## Economic Statistics

The economy grew by around 2.3% during the first three months of the year, compared to twelve months earlier, down from 4.0% in the final quarter of 2024. Activity has been driven by retail (up 7.1%) while mining activity contracted (down 1.2%) on lower copper production. Analysts surveyed in early May continued to predict that the economy will grow by 2.0% this year, in line with the Central Bank's latest 1.75-2.75% forecast.

Business and consumer confidence have declined in recent weeks on concerns that US trade policy could slow economic growth. A survey of executives published by the Central Bank in May found many companies are reviewing investment plans due to the increased uncertainty. The Monthly Business Confidence Indicator, published by the Adolfo Ibáñez University and the ICARE business organization, fell to 42.04 points in April, its lowest level in five months, largely due to increased pessimism in the manufacturing sector.

GfK's Economic Perceptions Index fell to 34.4 points in April, down two points from February as consumers expressed concern about the state of the economy and the short-term outlook.

The government's Consumer Price Index rose 0.2% in April, bringing annual inflation to 4.5%, down from 4.9% two months earlier. The decline largely reflects slowing energy and food prices. Private analysts expect inflation to decline to 4.0% by December 2025 (unchanged from previous months) and to the Central Bank's target rate of 3.0% by late 2026, just inside its two-year policy horizon.

Unemployment rose to 8.7% in the first three months of the year, up from 8.0% in January and unchanged from twelve months earlier. No new net jobs have been created this year as gains in construction and agriculture were offset by losses in healthcare, government, and manufacturing.

The Chilean peso has appreciated this year against the US dollar, trading around CLP940/dollar by late May compared to its January low around CLP 1,000/dollar.

Shares in Chilean companies have continued to rally, quickly recovering from the sell-off caused by President Trump's tariffs announcement in early April. By mid-May, the IPSA index of the largest companies listed on the Santiago Stock Exchange had reached record highs above 8,400 points, up almost 25% from the start of the year.

Copper prices also bounced back after President Trump announced a 90-day suspension of his reciprocal tariffs. By mid-May, the copper price was trading around US\$4.35/lb, up more than 10% from the start of the year. Copper production reached 1.3 million tonnes during the first three months of the year, little changed from a year ago, reflecting the impact of the major power cut in February as well as bad weather and maintenance shutdowns. The government predicts that production will rise by 4.6% this year to 5.76 million tonnes as output from major mines recovers.

Chile's trade surplus reached US\$8.8 billion during the first four months of the year, little changed from twelve months earlier, as imports and exports rose. Imports reached US\$27.2 billion, up 8.1% from 2024, on increased imports of consumer and capital goods. Exports rose 5.8% to US\$36.0 billion on higher copper prices and increased fruit exports.

Chile's current account recorded a rare surplus of US\$630 million during the first quarter, equivalent to 0.7% of GDP, as the trade surplus in goods offset a deficit in services and remitted profits related to Foreign Direct Investment.

### PLATINUM INVESTORS



Cámara Chileno Británica de Comercio A.G.  
Av. El Bosque Norte 0125, Las Condes  
info@britcham.cl | www.britcham.cl

### GOLD INVESTORS



Editorial Group:  
Peter Lynch, Director, Past President's Forum, British Chilean Chamber of Commerce  
Claudia de la Huerta, Trade Policy and Market Access Officer, British Embassy  
Leslie Hemery, Director, Past President's Forum, British Chilean Chamber of Commerce  
Tom Azzopardi, Journalist  
Greg Holland, Director, British Chilean Chamber of Commerce  
Elle Denton, Executive Director, British Chilean Chamber of Commerce