Macro Chile

March 3, 2026

Public Finance: A monthly surplus in January

- Base effects led to a noisy January, with revenues falling on an annual basis for the second consecutive month, and expenditures declining, leading to a 0.2% of GDP monthly surplus – essentially in line with the past two years.
- Liquid assets at the Treasury rose at the margin yet remain at low levels, suggesting the MoF will continue its front loaded debt issuance this year. Dollar sales are likely to continue in the near term.
- Fiscal consolidation should finally resume in 2026, mainly driven by lagged revenue recovery, in turn supported by elevated copper prices, as well as spending cuts – to be implemented by the incoming administration. We forecast a 1.7% of GDP nominal deficit in 2026.

According to the Budget Office's monthly report: the Central Government's real revenues fell by 5.6% YoY in January, declining on an annual basis for the second consecutive month. The contraction was driven by base effects, considering one-off revenue flows that took place in January 2025; isolating these flows led to a more constructive view on the revenue start to the year of 5.5%. At the margin, cyclically-related real revenues (*tributación resto contribuyentes, comprising roughly 80% of total revenues)* nosedived by 10.8% YoY (-9.2% in December), driven by base effects. We estimate these revenues were ~3% below the mark in January, which on an annualized basis amount to roughly USD2bn (0.6% of GDP). In contrast, mining related revenues in January remained strong. Private mining real revenue growth rose by 42.5% YoY in January, reflecting the impact of the mining royalty and elevated copper prices. Codelco's real payouts rose by 87.6% YoY in the month. Revenue details are described in Table 1.

Real spending fell by 8.4% YoY in January, also driven by base effects. Current expenditure declined by 5.4% YoY in January, mainly driven by a 18.6% fall in subsidies and donations (one-off, education-related). Capital expenditure fell by 39.5% YoY in January, with declines across investment and transfers to regions. Expenditure details are described in Table 2.

January's monthly fiscal balance reached a 0.2% of GDP surplus (0.1% in 2025), in line with seasonal patterns. On a 12-month moving average basis as of the end of January, the central government's revenues fell on annual basis by 90bps to 21.2% of GDP in January, and expenditures fell to 24% of GDP, down from 25% in January 2025, leading to a nominal deficit of 2.7% (2.9% in January 2025).

Liquid assets rose at the margin yet remain at low levels. Liquid assets in the Treasury rose at the margin in January to USD1.4 billion, up from USD46 million in December, marking the lowest end-January balance at least since 2011. The increase at the margin is likely driven by the monthly surplus and sizable debt issuances. AUM in the sovereign wealth funds were little changed (see Table 3).

According to the 4Q25 Public Finance Report, gross public debt was unchanged in 2025 at 41.7% of GDP, partly supported by the appreciation of the exchange rate.

Our take:

- **Spending cuts and revenue improvements should contribute to the narrowing of the nominal fiscal deficit this year.** While January's data was contaminated by base effects, revenues will need to pick up to reach the MoF's 6.1% YoY revenue growth forecast (up from 3.5% in 2025), and spending will need to be reined in further. Recent press reports state the incoming administration plans on reducing expenditures through administrative measures in 2026 by 3%, equivalent to roughly USD3bn (0.9% of GDP). Additional legislative measures to be implemented later in the year, including in the 2027 budget bill, would reduce spending further starting in 2027. In previous reports, we've flagged a CEP report that identifies short-term administrative efficiency measures of roughly 0.3-0.4% of GDP (see report). The 2026 budget considered a structural deficit of 1.1% of GDP, but the Public Finance Report revised the forecast to 2.7%, still implying a significantly negative fiscal impulse from 2025 (structural deficit of 3.6% of GDP in 2025). The fiscal impulse is likely to be contractionary this year, in contrast to the past few years. We forecast a 1.7% of GDP nominal deficit in 2026.

- **On the financing front**: The 2026 budget law authorizes gross debt issuance in the calendar year for a total of USD17.4 billion (and an additional USD600 million in loans from multilaterals). The MoF announced their issuance plan in early January, considering the full USD17.4 billion, of which roughly 30% will be in foreign currency and the remainder in local currency. Issuance kicked off in early January with foreign currency issuances for USD4.3 billion, followed by local currency auctions. The 1Q26 local currency issuance calendar considers roughly USD2.5 billion in bonds and USD3.3 billion in nominal notes maturing in 2026 (revised down from USD 4.2 billion), taking total bond issuance in 1Q26 to USD6.8 billion of the total USD17.4 billion annual plan, suggesting a front loaded strategy in the context of low liquid cash balances.

- **Dollar sales in 2026**: Dollar sales address the government's gross financing needs, disregarding exchange rate considerations. We estimate gross financing needs close to USD18 billion in 2026, most of which is financed through local currency issuance. Net dollar inflows (primarily from mining-related revenue, foreign currency issuance, and amortizations) should reach roughly USD11.6 billion in 2026 (see Table 4). Such an amount would be greater than 2025 (USD7.7 billion), and the greatest dollar sales since 2023 (USD12.2 billion). As in previous years, the MoF is authorized to hedge up to USD4 billion in foreign currency debt in 2026; official records suggest the outstanding stock of hedges through 3Q25 reach ~3% of gross public debt, roughly USD4.5 billion.

- **Policy & Reforms**: Press reports state that the Kast administration still plans on reducing the corporate tax rate from 27% to 23%, despite the deterioration in the fiscal accounts towards the end of 2025. The full reduction is projected to reduce revenues by USD1.8bn (0.5% of GDP). However, reports mention that rather than a phased-in implementation of 1pp per year starting in 2026 during the four year term, the reduction would be of 1.5pp in 2027, 1.5pp in 2028, and 1pp in 2029. A tax credit to foster formal employment is still projected to be implemented this year.

- **Upcoming data & relevant events**:

    - The incoming administration takes office on March 11 and must present its fiscal plan for the four-year term during the first 90 days.

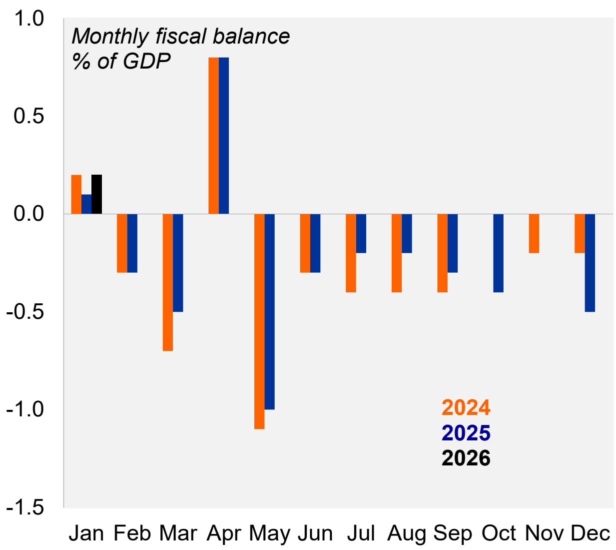
    - The Budget Office should publish February data on March 31.

    - By the end of March, we expect the MoF and Budget Office to reiterate their dollar sales guidance for 2Q26 at a weekly cap of USD300 million. Also by the end of the month, we expect the MoF to announce their 2Q26 local currency issuance calendar.

    - The Kast administration announced their plan to present a tax reform on April 1; in our view, the reform may be delivered later in 2Q26.

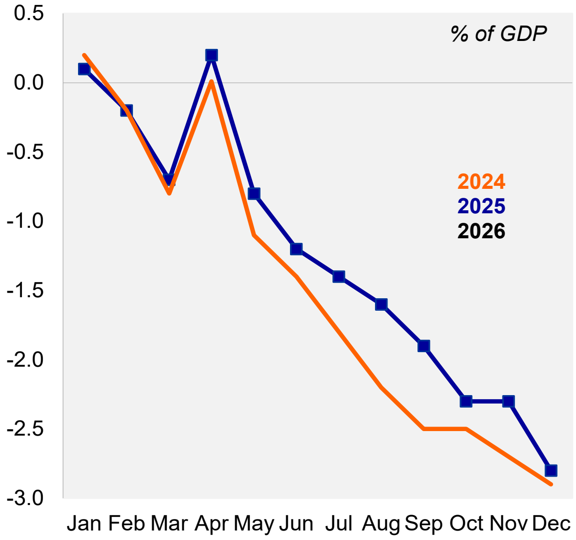
- The 1Q26 Public Finance Report, the first of the Kast administration, should be published in mid-May.

A monthly surplus in January



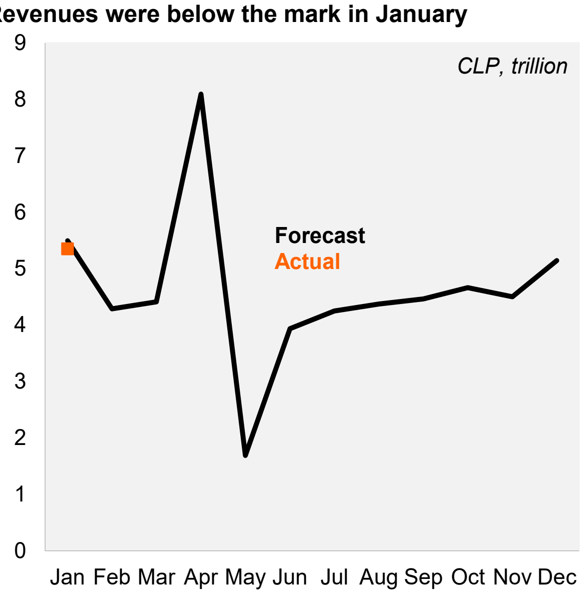
Source: Budget Office, Itaú

Deficit should narrow this year



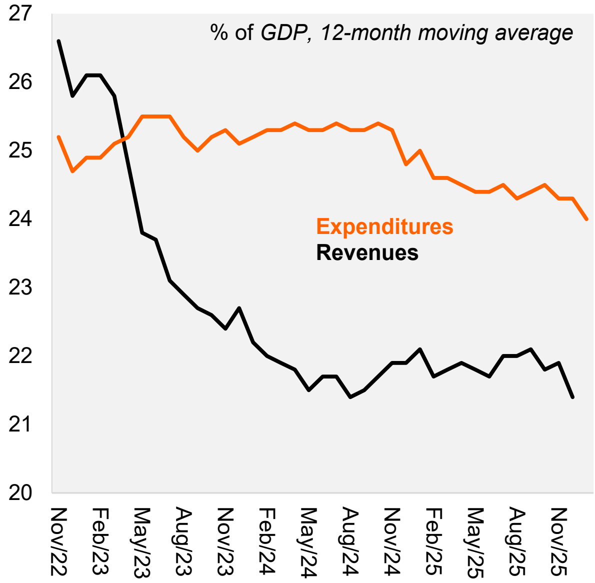
Source: Budget Office, Itaú

Revenues were below the mark in January



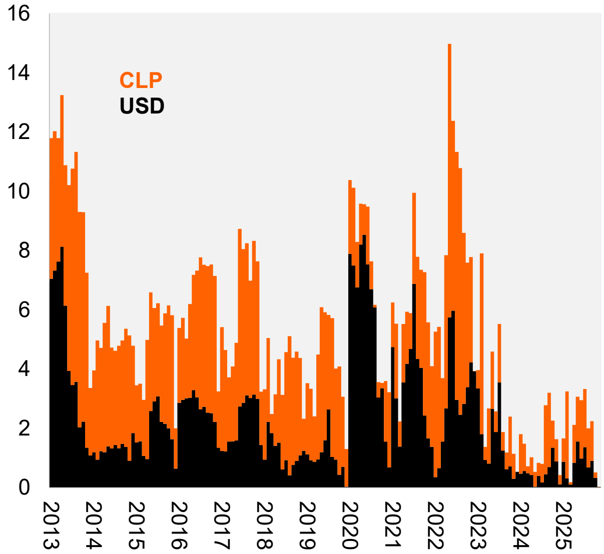
Source: Budget Office, Itaú. * Tributación resto contribuyentes

Spending cuts are needed to square the circle



Source: Budget Office

No Hay Plata



Source: Budget Office, Itaú.

Table 1. Central Government Revenues

	January			2026, year-to-date			
	CLP million	% YoY, real	% of Total	CLP million	% YoY, real	% of total	% of GDP
Net tax revenues	**5,795,189**	**-8.1**	**85.1**	**5,795,189**	**-8.1**	**85.1**	**1.7**
Private mining taxes	442,544	42.5	6.5	442,544	42.5	6.5	0.1
Other taxes	5,352,645	-10.8	78.6	5,352,645	-10.8	78.6	1.6
CODELCO Transfers	157,108	87.6	2.3	157,108	87.6	2.3	0.0
Social security contributions	394,798	22.8	5.8	394,798	22.8	5.8	0.1
Donations	2,963	-26.6	0.0	2,963	-26.6	0.0	0.0
Property Income	156,020	-17.5	2.3	156,020	-17.5	2.3	0.0
Operating Income	132,139	17.4	1.9	132,139	17.4	1.9	0.0
Other Income	175,492	-12.2	2.6	175,492	-12.2	2.6	0.1
Sale of physical assets	100	-87.5	0.0	100	-87.5	0.0	0.0
Total Revenues	**6,813,810**	**-5.6**	**100.0**	**6,813,810**	**-5.6**	**100.0**	**2.0**

Source: Budget Office.

Table 2. Central Government Expenditures

	January			2026, year-to-date			
	CLP million	% YoY, real	% of Total	CLP million	% YoY, real	% of total	% of GDP
Current Expenditures	**5,870,394**	**-5.4**	**94.3**	**5,870,394**	**-5.4**	**94.3**	**1.7**
Subsidies and donations	1,543,349	-18.6	24.8	1,543,349	-18.6	24.8	0.5
Personnel	1,421,652	-5.4	22.8	1,421,652	-5.4	22.8	0.4
Social security payments	1,358,195	5.1	21.8	1,358,195	5.1	21.8	0.4
Goods and Services of Consumption and Production	693,531	0.7	11.1	693,531	0.7	6.3	0.2
Interest payments	828,960	2.3	13.3	828,960	2.3	13.3	0.2
Others	24,707	52.9	0.4	24,707	52.9	0.4	0.0
Capital Expenditures	**355,871**	**-39.5**	**5.7**	**355,871**	**-39.5**	**5.7**	**0.1**
Capital Transfers	313,872	-39.0	5.0	313,872	-39.0	5.0	0.1
Investment	41,999	-43.3	0.7	41,999	-43.3	0.7	0.0
Total Expenditures	**6,226,264**	**-8.4**	**100.0**	**6,226,264**	**-8.4**	**100.0**	**1.8**

Source: Budget Office.

Table 3. Treasury Assets

USD million, end of period

	2021	2022	2023	2024	2025	2026	
						Jan	% of GDP
Treasury's Liquid Assets (OATP)	**4,098**	**3,925.5**	**525.9**	**419.3**	**46.3**	**1,406.2**	**0.4**
CLP	2,726	1.2	-	312.5	43.6	842.4	0.3
USD	1,371	3,924.3	525.9	106.8	2.7	563.8	0.2
Sovereign Wealth Funds	**9,930**	**13,989.5**	**14,668.7**	**12,996.5**	**14,211.3**	**14,425**	**4.3**
Stabilization Fund (FEES)	2,457	7,514.2	6,030.1	3,618.2	3,898.1	3,912.8	1.2
Pension Reserve Fund (FRP)	7,473	6,475.3	8,638.6	9,378.3	10,313.2	10,512.2	3.2
Others	**872**	**768.9**	**711.0**	**686.9**	**938.4**	**1,006**	**0.3**
Total Treasury Assets	**14,900**	**18,683.9**	**15,905.6**	**14,102.7**	**15,195.9**	**16,837.5**	**5.1**

Source: Budget Office.

Table 4. 2026 Gross Dollar Flows to and from the MoF

USD billion, full year

Inflows (A)		Outflows (B)	
Total	**14,447**	**Total**	**2,873**
Private Mining	7,004	Amortization & Interest Payments	2,290
CODELCO	2,223	Capital Injections & Others	583
Bond issuances in foreign currency	5,220		
SWF withdrawals			
Available for Dollar Sales (A-B)			**11,573**

Source: Budget Office, Itaú.

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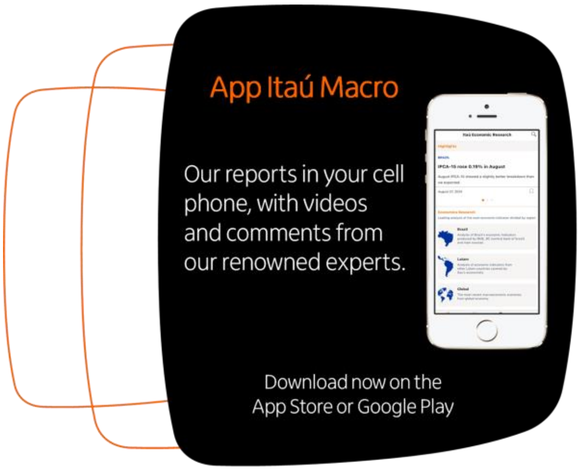

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