Macro Chile

July 2, 2026

Public Finance: Revenue dynamics risk a greater deficit

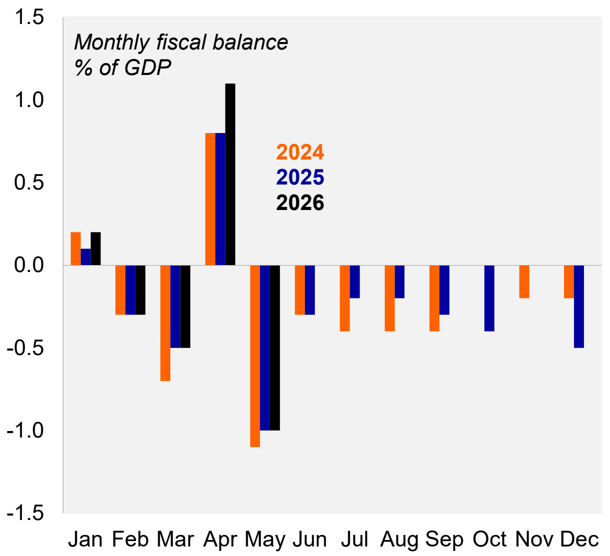
According to the Budget Office's monthly report, the Central Government's real revenues contracted by 6.7% YoY in May (+4.4% YTD). Tax refunds associated with the annual tax filing season explained the decline. Cyclically-related real revenues (tributación resto contribuyentes, comprising of over 80% of total revenues) fell 19.7% YoY in real terms. However, considering April and May together, the net result of the tax filing season was broadly in line with 2025 and slightly above historical averages. The decline was driven mainly by a 24.2% real annual contraction in tax payments from non-mining taxpayers, while private mining tax revenues rose at a double-digit pace amid elevated copper prices. Non-tax revenues rose 33.5% YoY, driven primarily by a 156.7% increase in property income following ENAP's first dividend payment of the year.

Fiscal spending remained contained in May, with total budget expenditure rising just 0.4% YoY in real terms (1.1% YTD). The modest increase reflected continued moderation in current spending growth, which slowed to 3.3% after expanding at rates above 6% during February–April, while a sharp 15.7% real decline in capital spending weighed on overall expenditure.

As a result, May's monthly fiscal balance reached a deficit of 1.0% of GDP (in line with May 2025). On a 12-month moving average basis as of the end of April, the central government's revenues ticked down to 21.5% of GDP, and expenditures also edged 0.1pp down to 23.9% of GDP, leading to a stable nominal deficit of 2.5% (2.8% in March 2026 and 2.6% as of May 2025).

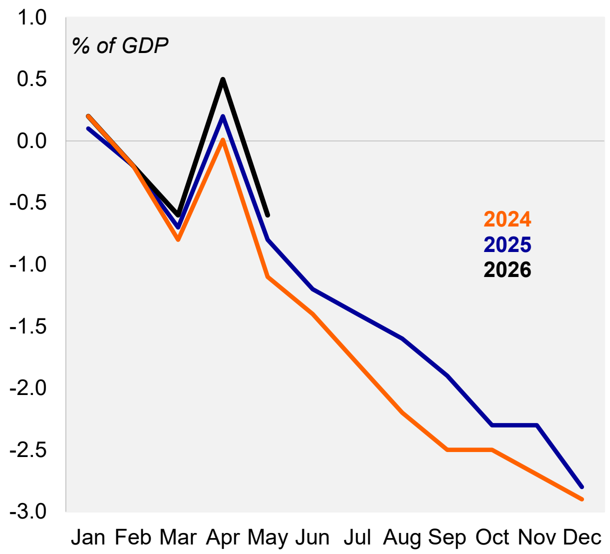
Liquid assets rose at the margin. Liquid assets in the Treasury rose at the margin in May to USD4.2 billion, up from USD0.6 billion in March (and USD 3.1 billion in May 2025). Meanwhile, AUM in the sovereign wealth funds edged up to USD14.5 billion (USD14.2 billion in 2025 and USD 13.0 billion in 2024).

A large deficit in May



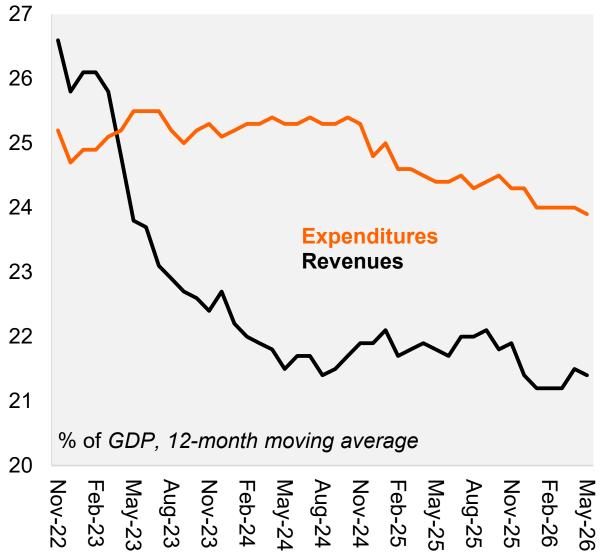
Source: Budget Office, Itaú

A slightly smaller cumulative deficit in 2026



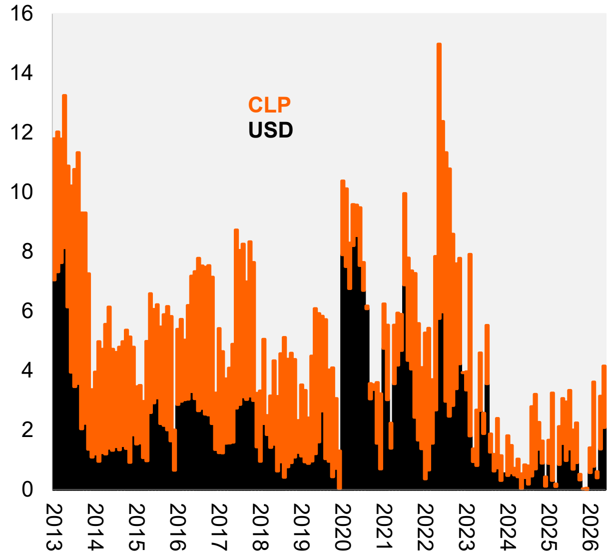
Source: Budget Office, Itaú.

Expenditures remain well above revenues



Source: Budget Office, Itaú.

Liquid assets rose at the margin



Source: Budget Office, Itaú.

Our take:

- ***Persistently weaker economic activity poses headwinds to revenue dynamics, and hence risks of a greater nominal fiscal deficit.*** *In our view, revenues during the key tax season (April-May) were essentially in line with forecasts, unable to deliver a cushion. Even though roughly USD2 billion (0.5% of GDP) in spending cuts have been implemented for the year, real public spending is still projected to grow by 2.8% YoY in 2026.*

- ***On the financing front****: According to the MoF's 3Q26 local currency issuance calendar issuance is projected to reach roughly USD7.1 billion in the quarter, according to our estimates, of which roughly 70% is planned to be in nominal notes maturing by the end of 2027. Separately, the MoF announced two new bonds maturing in 2037 (inflation-linked) and 2038 (nominal). Issuance in the year has reached USD 9.2 billion of the annual USD17.4 billion plan and is projected to reach USD16.3 billion by the end of 3Q26. We expect the MoF to issue debt offshore once their request to issue additional debt is approved by Congress. The central government is implementing sales of certain assets, mainly real estate. We expect state owned firms, including CODELCO, to also assess potential sales.*

- ***Dollar sales in 2026****: Dollar sales address the government's gross financing needs, disregarding exchange rate considerations. We estimate gross financing needs close to USD24 billion in 2026. We estimate total dollar sales of USD 13.6 billion during 2026, sourced mainly from mining-related revenue and foreign currency issuance. See our report on the MoF's dollar sales here. 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 1Q26 reaches ~3% of gross public debt, roughly USD4.5 billion.*

Upcoming data & relevant events:

- *The Budget Office should publish the 2Q26 Public Finance Report on July 14 and June fiscal data on July 31.*
- *We expect the MoF and Budget Office to resume dollar sales this month in sizable amounts once the MoF issues foreign currency denominated debt, to take place after Congress approves the request to issue additional debt this year (USD6.2 billion).*
- *In our view, Congress will approve the National Reconstruction Bill by the end of September, at the latest, with a few amendments that reduce the reform's net deficit impact in the coming years.*
- *The MoF and Budget Office should convene the external committees on non-mining trend GDP and long-term copper prices by mid-July, as part of the 2027 budget preparation process, which must be presented to Congress by September 30.*

Table 1. Central Government Revenues

	May			2026, year-to-date			
	CLP million	% YoY, real	% of Total	CLP million	% YoY, real	% of total	% of GDP
Net tax revenues	**1,889,861**	**-19.7**	**65.0**	**27,588,902**	**0.9**	**83.9**	**7.6**
Private mining taxes	331,503	11.1	11.4	3,411,864	30.6	10.4	0.9
Other taxes	1,558,358	-24.2	53.6	24,177,038	-2.3	73.5	6.6
CODELCO Transfers	153,980	29.5	5.3	733,249	25.9	2.2	0.2
Social security contributions	391,180	15.3	13.4	2,116,788	21.6	6.4	0.6
Donations	62,751	4,109.8	2.2	84,351	82.5	0.3	0.0
Property Income	259,818	156.7	8.9	950,218	73.5	2.9	0.3
Operating Income	113,796	-15.8	3.9	657,553	-0.9	2.0	0.2
Other Income	37,994	-43.8	1.3	767,512	16.2	2.3	0.2
Sale of physical assets	308	26.4	0.0	1,652	13.0	0.0	0.0
Total Revenues	**2,909,687**	**-6.7**	**100.0**	**32,900,224**	**4.1**	**100.0**	**9.0**

Source: Budget Office, Itaú

Table 2. Central Government Expenditures

	May			2026, year-to-date			
	CLP million	% YoY, real	% of Total	CLP million	% YoY, real	% of total	% of GDP
Current Expenditures	**5,831,478**	**3.2**	**87.2**	**31,001,515**	**3.5**	**88.7**	**8.5**
Subsidies and donations	2,204,666	5.1	33.0	11,099,681	3.2	31.8	3.0
Personnel	1,390,111	5.0	20.8	7,531,693	5.1	21.6	2.1
Social security payments	1,438,988	0.9	21.5	6,942,913	3.2	19.9	1.9
Goods and Services of Consumption and Production	550,580	-0.7	8.2	3,140,923	1.4	9.0	0.9
Interest payments	229,854	2.0	3.4	2,183,928	4.5	6.3	0.6
Others	17,279	-16.6	0.3	102,377	-8.3	0.3	0.0
Capital Expenditures	**858,070**	**-15.7**	**12.8**	**3,937,178**	**-14.2**	**11.3**	**1.1**
Capital Transfers	568,172	-2.6	8.5	2,584,211	-4.3	7.4	0.7
Investment	289,899	-33.2	4.3	1,352,966	-28.3	3.9	0.4
Total Expenditures	**6,689,549**	**0.4**	**100.0**	**34,938,693**	**1.1**	**100.0**	**9.6**

Source: Budget Office, Itaú

Table 3. Treasury Assets
USD million, end of period

	2021	2022	2023	2024	2025	2026			
						1Q26	Apr	May	% of GDP
Treasury's Liquid Assets (OATP)	**4,098**	**3,925.5**	**525.9**	**419.3**	**46.3**	**597.0**	**3,139.0**	**4,150.7**	**1.3**
CLP	2,726	1.2	-	312.5	43.6	209.7	1,777.4	2,070.2	0.6
USD	1,371	3,924.3	525.9	106.8	2.7	387.3	1,361.6	2,080.5	0.6
Sovereign Wealth Funds	**9,930**	**13,989.5**	**14,668.7**	**12,996.5**	**14,211.3**	**13,692**	**14,268**	**14,543**	**4.4**
Stabilization Fund (FEES)	2,457	7,514.2	6,030.1	3,618.2	3,898.1	3,874.6	3,900.3	3,900.0	1.2
Pension Reserve Fund (FRP)	7,473	6,475.3	8,638.6	9,378.3	10,313.2	9,817.6	10,368.0	10,643.5	3.2
Others	**872**	**768.9**	**711.0**	**686.9**	**938.4**	**938**	**813**	**749**	**0.2**
Total Treasury Assets	**14,900**	**18,683.9**	**15,905.6**	**14,102.7**	**15,195.9**	**15,227.5**	**18,220.6**	**19,443.2**	**5.9**

Source: Budget Office, Itaú

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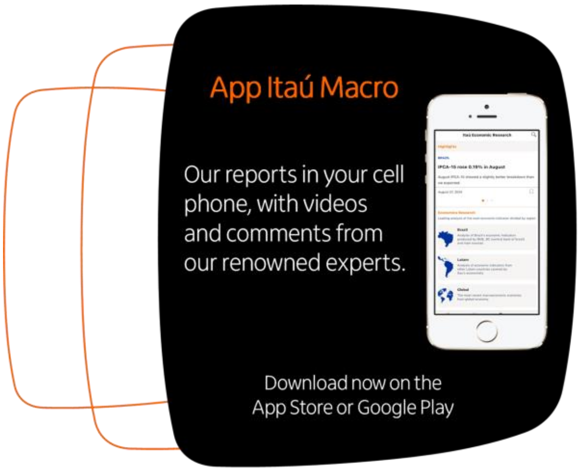

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