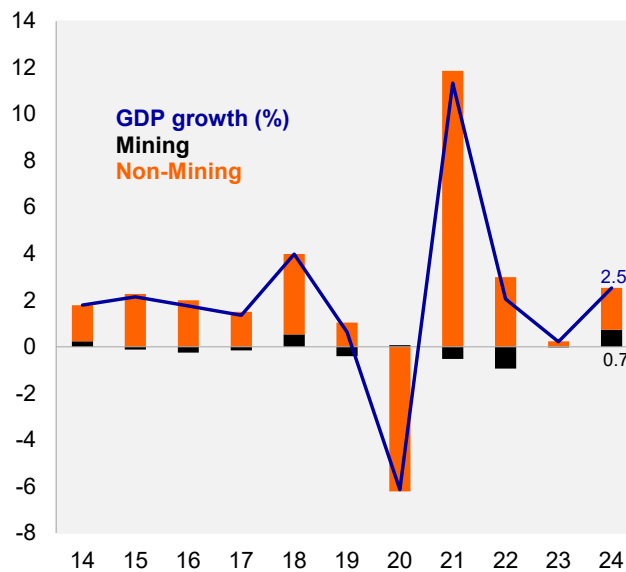


CHILE – Mining’s role in the economy and the outlook

- ▶ In this note we briefly discuss the recent developments in mining and the outlook for mining-related investment. Mining-related activity contributed to a faster-than-expected GDP recovery in 2024, a greater trade surplus, an uptick in fiscal revenues, and additional employment, among others. After two consecutive years of contraction, investment is projected to bounce back in 2025, primarily driven by an uptick in mining. Spillovers to the economy at large are a key watchpoint for activity forecasts going forward.

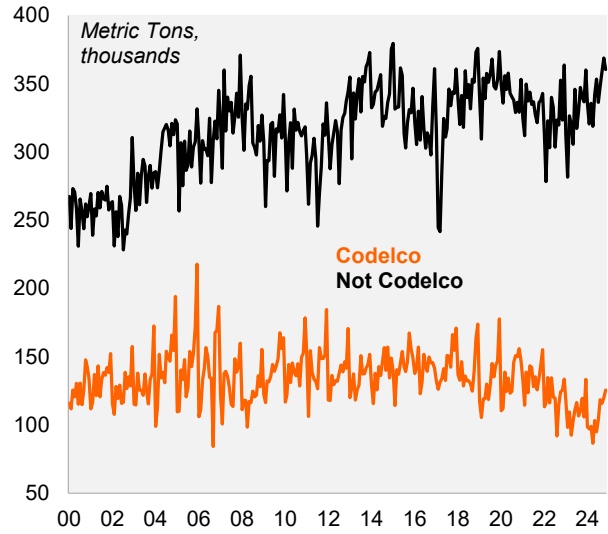
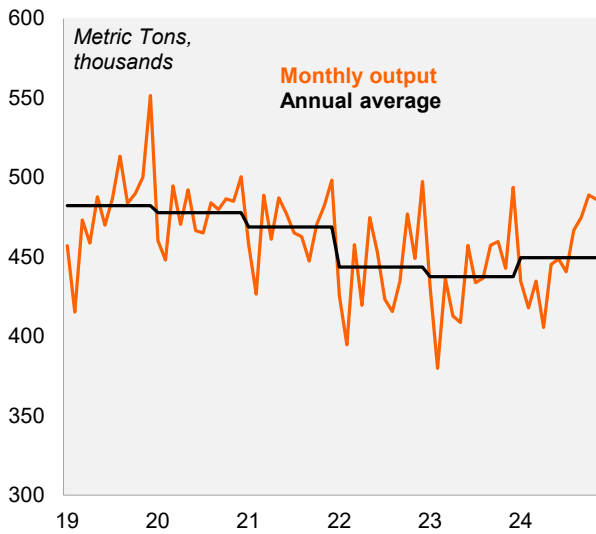
Mining, primarily copper production, played an important role in the recovery of Chile’s economic activity in 2024. According to the BCCh’s national accounts, mining rose by 6.2% YoY in 2024, following three consecutive years of contraction, contributing roughly 0.7pp of the 2.5% growth in the year (Chart 1, 2a). Non-mining activity rose by 2.0% YoY in 2024, up from 0.3% in 2023. Last year’s upswing in mining output reflects the effects of greater production in existing mines, and base effects from the absence of weather shocks, among others, which outweighed the structural pressure from deteriorating ore grades. Most of the increase in copper production was concentrated in the private sector (Chart 2b), particularly in Quebrada Blanca and Escondida.

Chart 1. Decomposition of Chile’s growth



Source: BCCh.

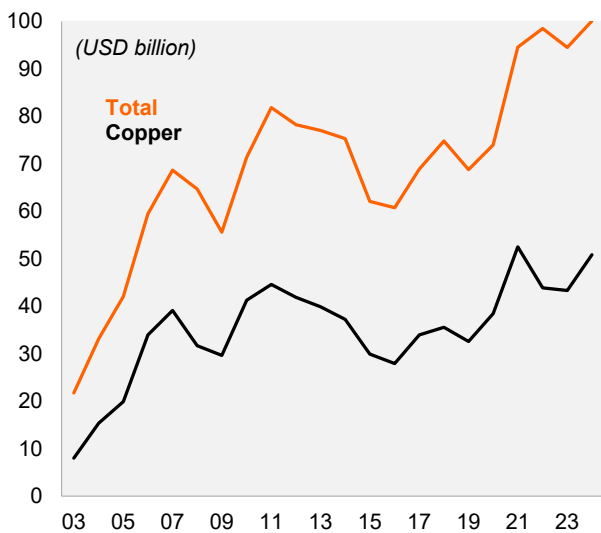
Chart 2. Copper production in Chile



Source: COCHILCO.

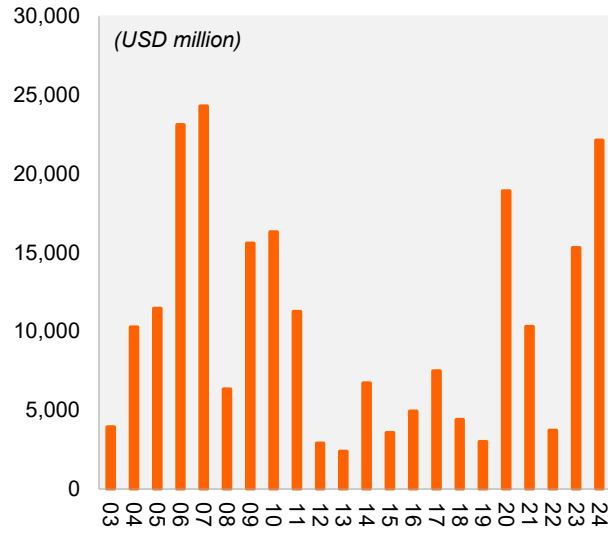
The recovery in copper production and higher prices contributed to an even greater trade surplus ... Goods exports reached a record USD100 billion in 2024, with copper exports amounting to USD50.8 billion, the second greatest ever (USD52.5 billion in 2021). In fact, copper exports rose by 15.8% YoY in January 2025, reaching slightly over USD4 billion, the highest ever for the month of January. Strong exports and a second consecutive year of import contraction in 2024, reflecting the adjustment of domestic demand, led to the highest trade surplus since 2007, at USD22.1 billion (Chart 4).

Chart 3. Exports



Source: BCCh, Itaú

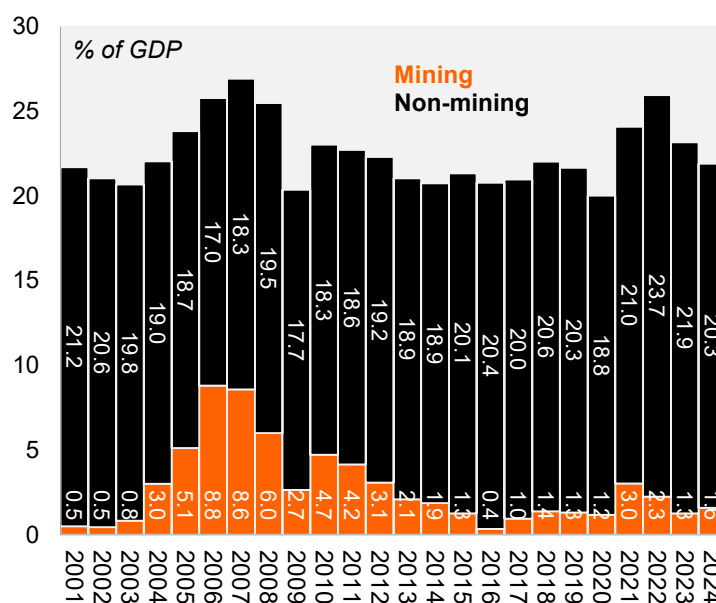
Chart 4. Trade Balance



Source: BCCh, Itaú

... a much-needed boost to fiscal revenues... On the fiscal front, we estimate that mining revenue reached roughly 1.6% of GDP in 2024, up from 1.3% in 2023. According to the Budget Office, an additional 10 cents in the copper price, leads to roughly USD280 million in additional nominal revenue (USD 392 million in structural revenue), *ceteris paribus*.

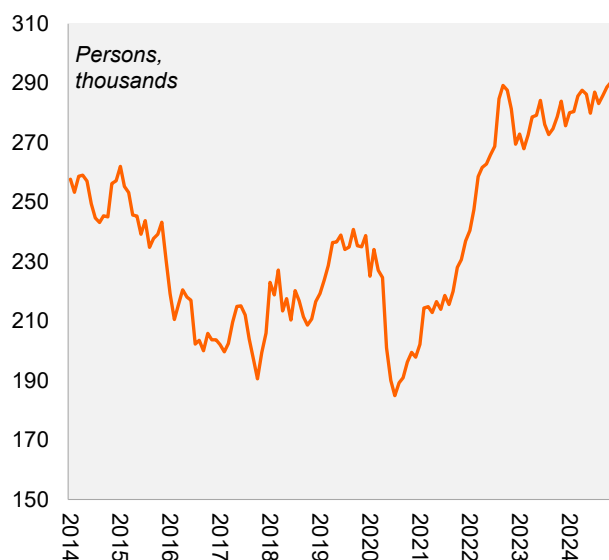
Chart 5. Mining & non-mining fiscal revenues



Source: DIPRES, Itaú estimate for 2024.

... and higher employment, among other factors. Mining related employment, according to the INE labor market survey, continued to gradually increase in 2024, reaching slightly under 300 thousand posts by year end. Even though mining output represents roughly 12% of GDP, mining accounts for roughly 3.1% of employment.

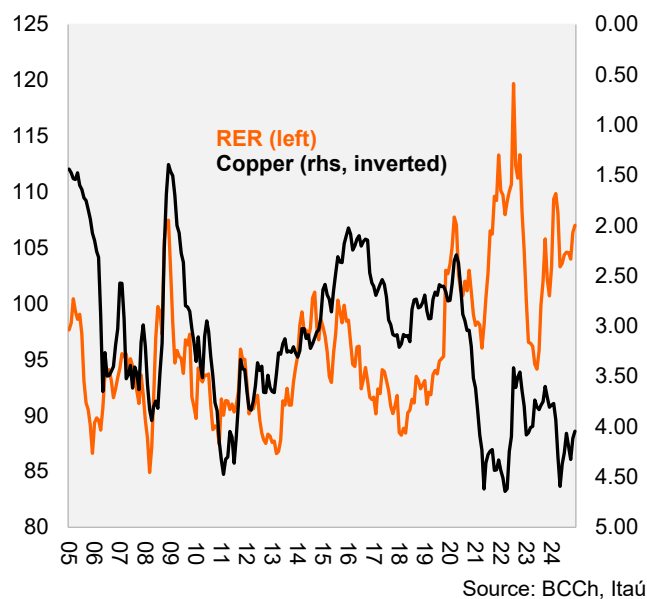
Chart 6. Mining Employment



Source: INE, Itaú.

Separately, elevated copper prices contributed to favorable terms-of-trade. Higher copper prices have not been accompanied by an appreciation of the real exchange rate since 2021.

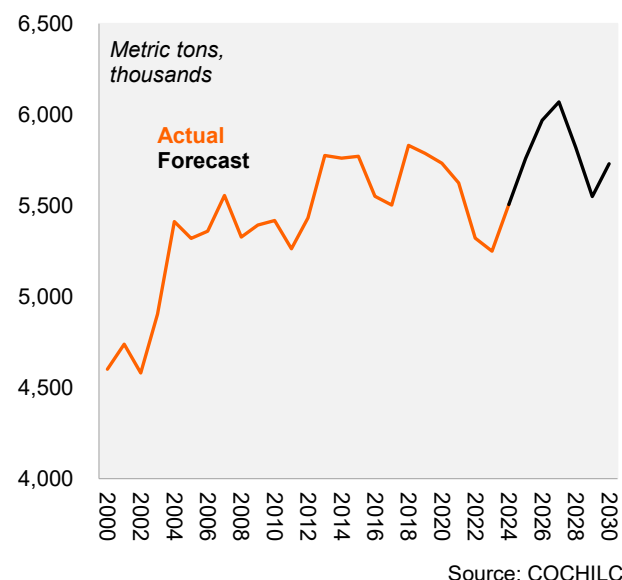
Chart 7. Copper price and RER



What to expect going forward?

Mining is projected to continue contributing to growth in 2025 and beyond. According to the Chilean Copper Commission (COCHILCO), copper production would rise by 4.6% YoY this year, followed by a 3.6% increase in 2026. Our copper price forecast of USD 4.25 per pound is in line with COCHILCO’s for this year and next, supported by constrained supply and a projected increase in demand from the energy transition and other factors. Projected copper prices are significantly above industry cash cost estimates ([~USD1,91 per pound](#)), supporting a favorable scenario for mining investment.

Chart 8. Copper Production per Year: Actual & Forecast



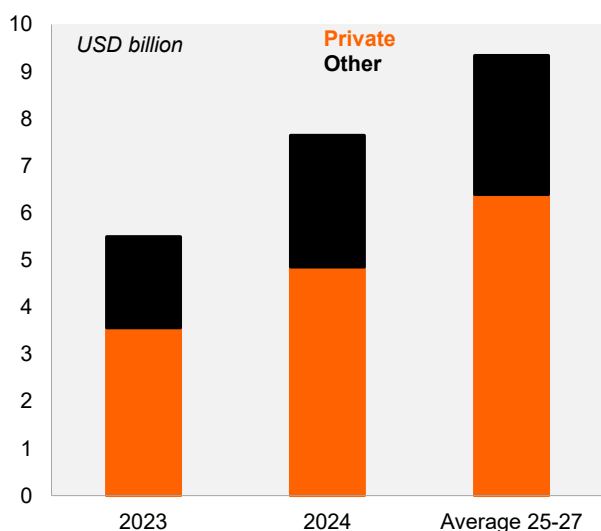
Importantly, several surveys and leading indicators suggest mining investment is projected to increase in the coming years, as uncertainty related to the constitutional discussions and the new mining royalty has dissipated. Greater investment is likely associated with efficiency objectives and extending the extraction horizon of existing mining projects. The BCCh’s recent “Beige Book” confirms an uptick in projected investment in northern

regions of the country, likely linked to large-scale mining projects. Medium-term surveys based on regulatory approvals (CBC) also point to an important pipeline of mining projects over the following years, mainly from private sources. Greater mining investment is likely not being picked up in weak, yet improving, commercial credit dynamics due to the relevance of equity-based financing in the industry.

Greater mining investment is likely to gradually spill over to other sectors of the economy. In September, the BCCh estimated that the projected mining investment pipeline (2024-2026) of a cumulative 20% in real terms would increase the level of GDP by 0.75pp, with roughly two-thirds of the gain coming from construction and the remaining third from machinery and equipment. With overall investment having contracted over the past two years, a faster recovery in mining investment and its effects on other sectors will be key watchpoints to gauge the swings in the business cycle, and hence, any desired calibration to macro policy, particularly a swing back to a tighter monetary policy stance. Certainly, greater copper production is likely to lead to additional dollar-denominated fiscal revenues, which would then be sold to finance the fiscal deficit – with expenditures primarily CLP. The effects of greater mining investment on employment in the economy at large may be mitigated by the significant increase in labor costs that have been implemented in recent years, including the substantial increase of the minimum wage, a reduced-work week schedule, and more recently more pension contributions to be nominally paid by the employer.

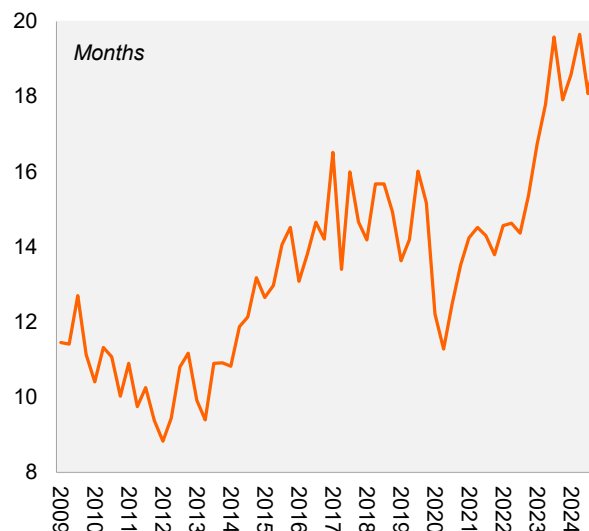
Delays in obtaining environmental permits pose risks for the investment process more broadly. As in other economies, the process of obtaining environmental permits for large-scale investment projects in Chile has become increasingly cumbersome (Chart 10). Often cited as a major constraint hindering private investment, bills being discussed in Congress have the objective of streamlining the processes, reducing bureaucratic red tape and discretion in the decision-making process. Boosting private investment could add an upside bias to medium-term growth forecasts, which currently have non-mining trend GDP at roughly 2%.

Chart 9. Mining Investment Expectations



Source: BCCh, IPoM September 2024.

Chart 10. Time to Obtain Environmental Permits



Source: CChC, Itaú

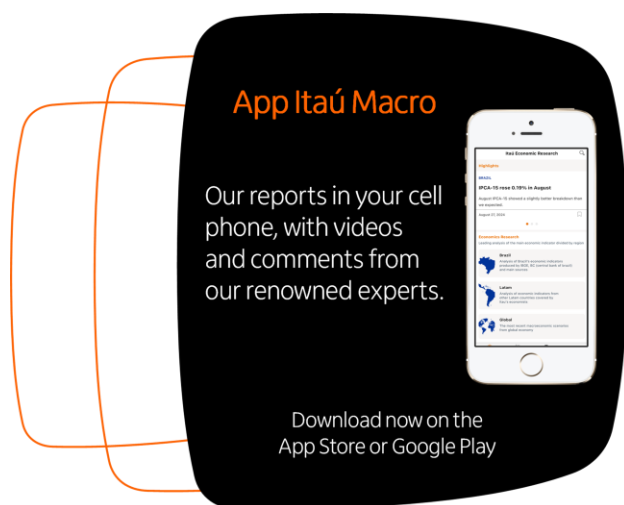
Andrés Pérez M.
Vittorio Peretti
Andrea Tellechea Garcia

Macro Research – Itaú

Mario Mesquita – Chief Economist

To access our reports and forecast visit our website:

<https://www.itaubba-pt/macroeconomic-analysis>



Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. ("Itaú Unibanco"). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report ("relatório de análise") for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.

Additional Note: This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CSCC: 0800 728 0728. Or contact us through our portal <https://www.itaubba-pt/atenda-itaubba-pt>. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.