

## CHILE – An update on dollar sales

- This report provides details of the Ministry of Finance's dollar sales mechanism and forecasts for 2025 and 2026. We reiterate our forecast for annual MoF dollar sales in 2025 of roughly USD8 billion, somewhat above last year's USD6.9 billion, with a similar amount to be sold in 2026.

**With few exceptions, Chile has experienced sustained fiscal deficits for several years, which have been financed by debt issuance, and withdrawals from sovereign wealth funds, among others.** A sizable share of these resources has been dollar denominated, which need to be sold to finance expenditures in local currency. In fact, dollar assets in the Treasury are accumulated primarily from offshore bond sales, loans from multilateral financial institutions, copper-related revenue, periodic withdrawals from the sovereign wealth funds, and (less common) transfers from state-owned companies. The MoF still enjoys a dollar surplus on a flow basis, as dollar inflows largely exceed dollar outflows. The latter are mainly in the form of foreign currency denominated debt amortization and interest payments, periodic transfers to the SWFs and other funds.

**Dollar sales finance the deficit, without having an exchange rate target in mind.** Dollar sales through auctions finance the government's fiscal needs (primarily in pesos), disregarding exchange rate considerations, in line with Chile's free-floating exchange rate regime.

**Auctions in the spotlight.** In March of 2020 the MoF announced they would competitively auction dollars from the Treasury to finance the high and rising expenditure needs related to the pandemic, further enhancing fiscal transparency, and providing additional guidance regarding the Government's participation in the local FX market ([press release in Spanish here](#)).

**Important dollar inflows to the government.** According to our estimates, the MoF would have gross dollar inflows in 2025 of roughly USD 12.6 billion and gross outflows for USD3.8 billion, which would leave room for dollar sales during the year of up to USD8.8 billion (see details in Table 1). Gross dollar inflows have been greater than originally anticipated, mainly due to mining-related payments – in turn, a result of higher copper prices -- and a greater share of debt issued in foreign currency (30%, instead of an originally planned 20%).

**Table 1. Estimate of 2025 Gross Dollar Flows to and from the MoF**

USD billion, full year

Inflows (A)		Outflows (B)	
<b>Total</b>	<b>12,604</b>	<b>Total</b>	<b>3,791</b>
Private Mining	5,690	Amortization & Interest Payments	2,970
CODELCO	1,914	Capital Injections & Others	820
Bond issuances in foreign currency	4,800		
SWF withdrawals	200		
<b>Available for Dollar Sales (A-B)</b>			<b>8,813</b>

Source: Budget Office, Itaú.

**Sizable government financing needs.** While our forecast considers a gradual reduction of the nominal fiscal deficit this year to 2.0% of GDP, from 2.8% last year, borrowing requirements are still elevated. We forecast this year's central government's gross financing needs at roughly USD18 billion (5.5% of GDP), with a sizable share from below-the-line items including amortization, capitalization of state-owned firms, and others. We do not expect recent changes at the helm of the MoF to have an impact on this year's financing needs.

**The MoF's stock of dollar holdings.** The Central Government's official dollar holdings are mainly booked in the Treasury and the sovereign wealth funds (Stabilization Fund and the Pension Reserve Fund). Liquid dollar assets held at the Treasury (*Otros Activos del Tesoro Público*) by the end of June reached USD974 million, roughly 0.3% of GDP. The SWFs are entirely invested abroad, with the Stabilization Fund reaching roughly USD3.8 billion (1.1% of GDP), and the Pension Reserve Fund at USD9.8 billion (2.9% of GDP). Separately, the Central Bank also manages international reserves, which reached USD46.2 billion (roughly 14% of GDP) by the end of July, prior to the reserve accumulation program that began on August 8.

**Table 2. Treasury Assets**

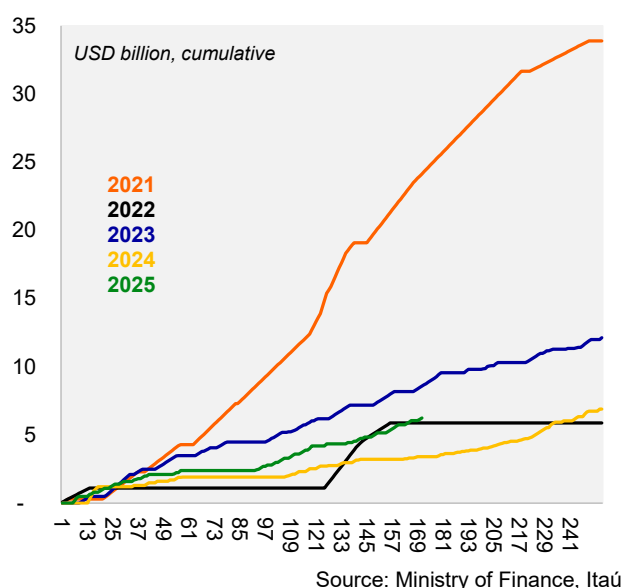
USD million, end of period

	2021	2022	2023	2024	2025			
					March	May	June	% of GDP
<b>Treasury's Liquid Assets (OATP)</b>	<b>4,098</b>	<b>3,925.5</b>	<b>525.9</b>	<b>419.3</b>	<b>183.0</b>	<b>3,063.7</b>	<b>2,945.9</b>	<b>0.9</b>
CLP	2,726	1.2	-	312.5	82.1	1,516.3	1,972.2	0.6
USD	1,371	3,924.3	525.9	106.8	100.9	1,547.4	973.8	0.3
<b>Sovereign Wealth Funds</b>	<b>9,930</b>	<b>13,989.5</b>	<b>14,668.7</b>	<b>12,996.5</b>	<b>13,229</b>	<b>13,318</b>	<b>13,644</b>	<b>4.1</b>
Stabilization Fund (FEES)	2,457	7,514.2	6,030.1	3,618.2	3,723.0	3,792.8	3,844.9	1.1
Pension Reserve Fund (FRP)	7,473	6,475.3	8,638.6	9,378.3	9,506.3	9,525.4	9,799.0	2.9
<b>Others</b>	<b>872</b>	<b>768.9</b>	<b>711.0</b>	<b>686.9</b>	<b>649</b>	<b>763</b>	<b>740</b>	<b>0.2</b>
<b>Total Treasury Assets</b>	<b>14,900</b>	<b>18,683.9</b>	<b>15,905.6</b>	<b>14,102.7</b>	<b>14,061.5</b>	<b>17,144.9</b>	<b>17,330.2</b>	<b>5.2</b>

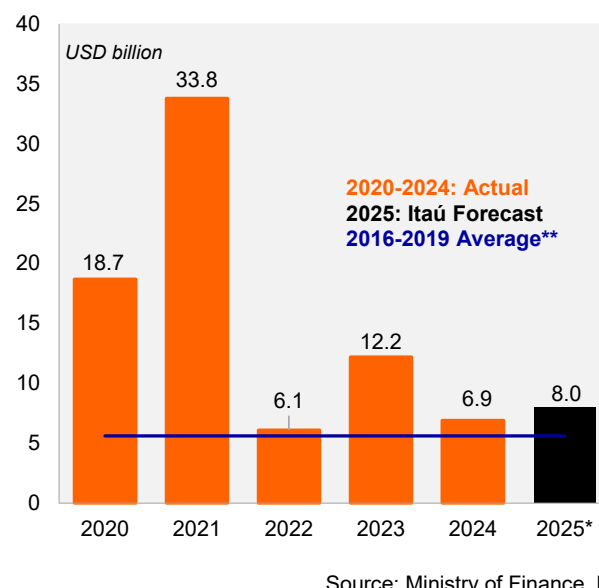
Source: Budget Office.

The MoF has sold roughly USD 6.2 billion in the year to date, well above the USD3.3 billion in the same period in 2024. On average, the MoF has auctioned a total of USD103 million per day (median: USD100 million) in which it sells, equivalent to roughly 8.7% of the average daily spot sales in the inter-bank market this year.

**MoF dollar sales per year**



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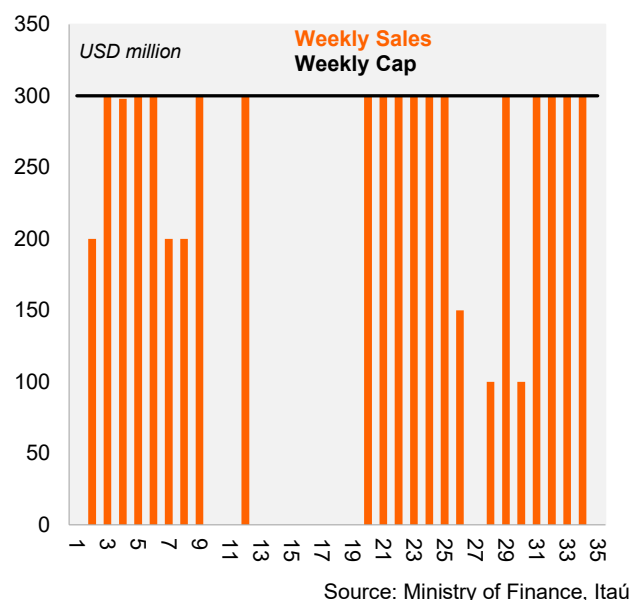


\*Itaú forecast;

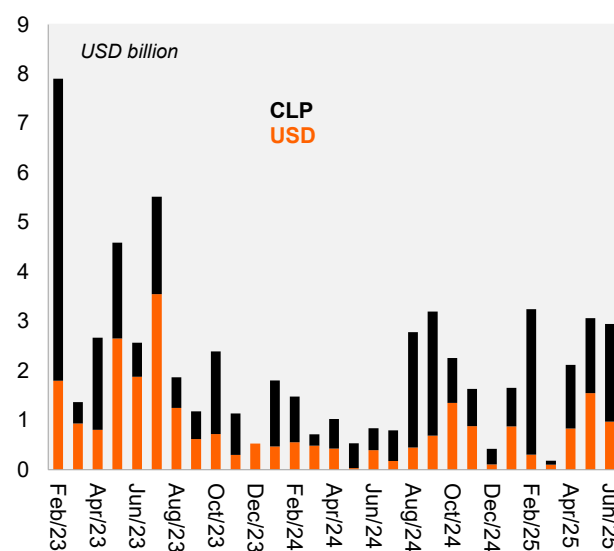
\*\*Estimated from foreign currency debt issuance, SWF withdrawals, and dollar-denominated revenue.

**The MoF usually underwhelms their dollar sales guidance.** The MoF does not announce an annual dollar sales forecast. Rather, since last year, the MoF has maintained a maximum USD300 million weekly guidance. We estimate the MoF has sold roughly 58% of their maximum guidance in the year. Spells in which dollar sales do not take place are likely associated with periods in which liquid dollar assets were at critical levels, as is seen below.

**MoF dollar sales per week this year**



**Liquid assets at the treasury\***



**We expect the MoF to sell roughly USD500 million per month through year end.** Considering dollar sales during the July-August period, our estimates for foreign currency denominated interest payments, dollar denominated mining-related revenue, and a withdrawal from the Pension Reserve Fund, we estimate that liquid dollar assets by the end of August must be negligible. As a result, for the rest of the year, dollar sales are likely to match mining-related revenues, which we estimate at roughly USD500 million per month, which would take sales in the full year to roughly USD8 billion.

**In this context, the BCCh appropriately began a reserve accumulation program on August 8, whereby it would purchase up to USD25 million (~2% of the spot inter-bank daily turnover) every day for three years, with the objective of accumulating a total of USD18.5 billion.** In doing so, the BCCh plans on replacing its ample access to international liquidity lines with its own reserves. **The reserve accumulation program over three years would take the BCCh's reserves to roughly 18% of GDP, a level the BCCh has targeted in the past.** The IMF's ARA metric estimates Chile's reserve levels at 79% of the adequate, the lowest among free-floating inflation targetters in the region.

In our view, dollar demand in the spot market from the BCCh should, on average, net out this year with the MoF's dollar sales. According to Chile's constitution, the BCCh cannot finance public spending, and hence, in our view, the BCCh does not purchase dollars directly from the MoF. Rather, the MoF sells and BCCh buys in auctions with prices set by market forces.

**Looking at 2026, we forecast the central government's net dollar inflows to remain similar to this year.**

**Table 3. Estimate of 2026 Gross Dollar Flows to and from the MoF**

USD billion, full year

Inflows (A)		Outflows (B)	
<b>Total</b>	<b>11.623</b>	<b>Total</b>	<b>2.819</b>
Private Mining	5.034	Amortization & Interest Payments	2.290
CODELCO	1.689	Capital Injections & Others	529
Bond issuances in foreign currency	4.800		
SWF withdrawals	100		
<b>Available for Dollar Sales (A-B)</b>			<b>8.804</b>

Source: Budget Office, Itaú.

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