

Latam Daily: Chile's MoF Plans for 2022 Budget; Increased Spending Room Likely

- Chile: Survey results on structural parameters inform 2022 Budget; increased room for fiscal spending likely

CHILE: SURVEY RESULTS ON STRUCTURAL PARAMETERS INFORM 2022 BUDGET; INCREASED ROOM FOR FISCAL SPENDING LIKELY

The Government of Chile will present its 2022 Fiscal Budget to Congress no later than September 30. In preparation for the Budget Bill, the Ministry of Finance (MoF) [released](#) on Monday September 13 the results of its survey of economists on long-term GDP and copper price forecasts. Both measures are the main variables to determine the fiscal budget and were estimated by a committee of independent economic experts, which includes our own chief economist in Santiago.

According to the MoF, the estimation for the long-term GDP growth increased from 1.6% to 2.6% for 2022 and also increased the estimation for the long-term copper price from USD 2.88 per pound to USD 3.31 per pound for the next 10 years.

According to our estimations, the improved structural parameters informing the 2022 Budget Bill will allow an increase of around USD 1.5 bn in the allotted fiscal spending for next year. This could reduce the expected drop in the fiscal stimulus for 2022, when the significant fiscal measures implemented in 2021 would be due to end. We estimate that compared to a 2021 base-year without the fiscal measures, the fiscal spending would increase in 2022.

It should be noted that the Chilean fiscal policy is based on a structural balance rule, in which structural expenditures are constrained by structural revenues over time. These revenues are determined by estimates on the economy's long-term GDP growth and copper price that are supplied on an annual basis by independent committees of experts. This year, the committee of experts for the forecast GDP was composed of 13 members, while the committee for the long-term copper price was composed of 14 experts.

—Anibal Alarcón

CONTACTS

Adriana Vega
613.564.5204
Scotiabank Economics
adriana.vega@scotiabank.com

Guillermo Arbe
+51.1.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Sergio Olarte
+57.1.745.6300 Ext. 9166 (Colombia)
Scotiabank Colombia
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive
+56.2.2619.5435 (Chile)
Scotiabank Chile
jorge.selaive@scotiabank.cl

Eduardo Suárez
+52.55.9179.5174 (Mexico)
Scotiabank Mexico
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Anibal Alarcón
+56.2.2619.5435 (Chile)
Scotiabank Chile
anibal.alarcon@scotiabank.cl

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