

Rodrigo Valdés
Minister of Finance

Chile Day 2017

Chilean Economy and Perspectives

London, 30 June 2017

Outline



Mining super-cycle



Structural challenges
and reforms

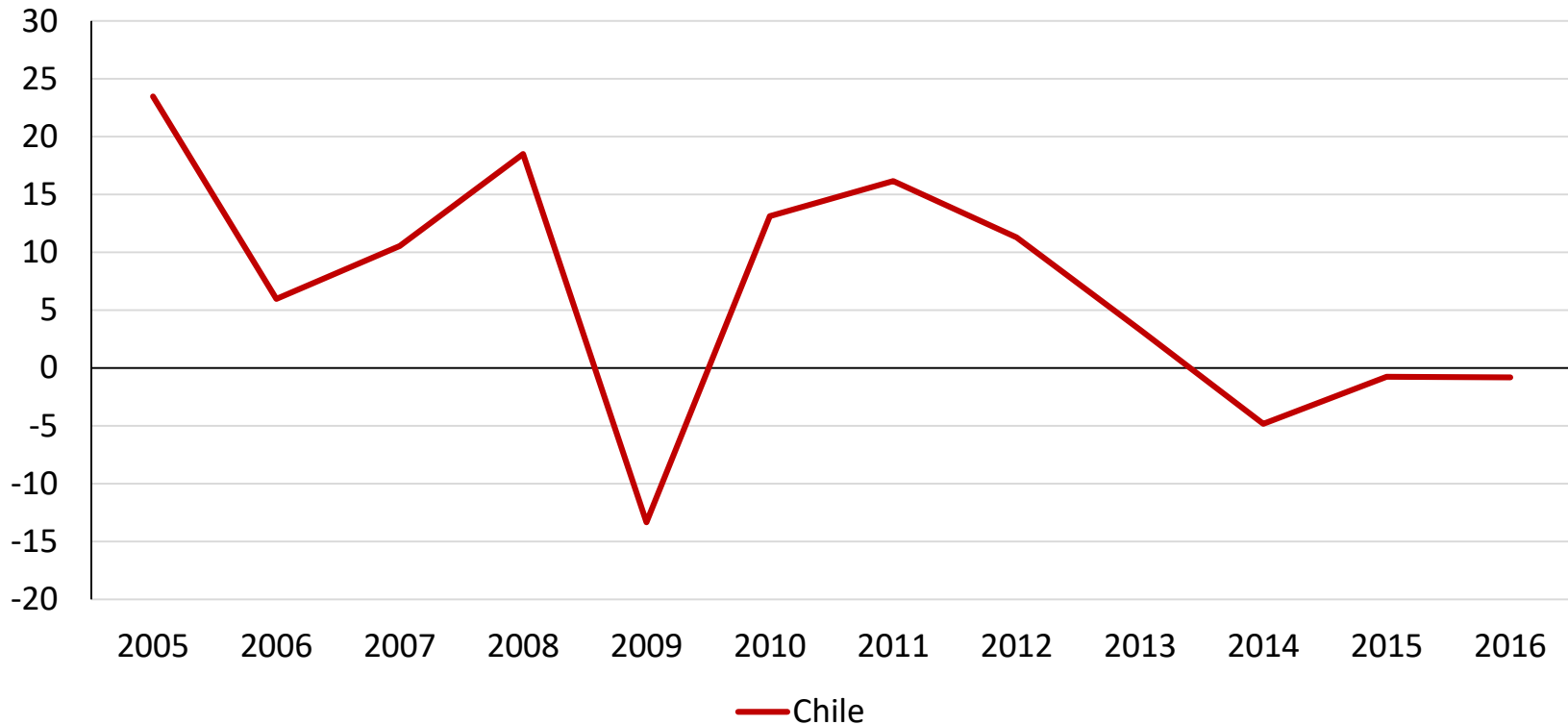


Short-term macro

Mining super-cycle



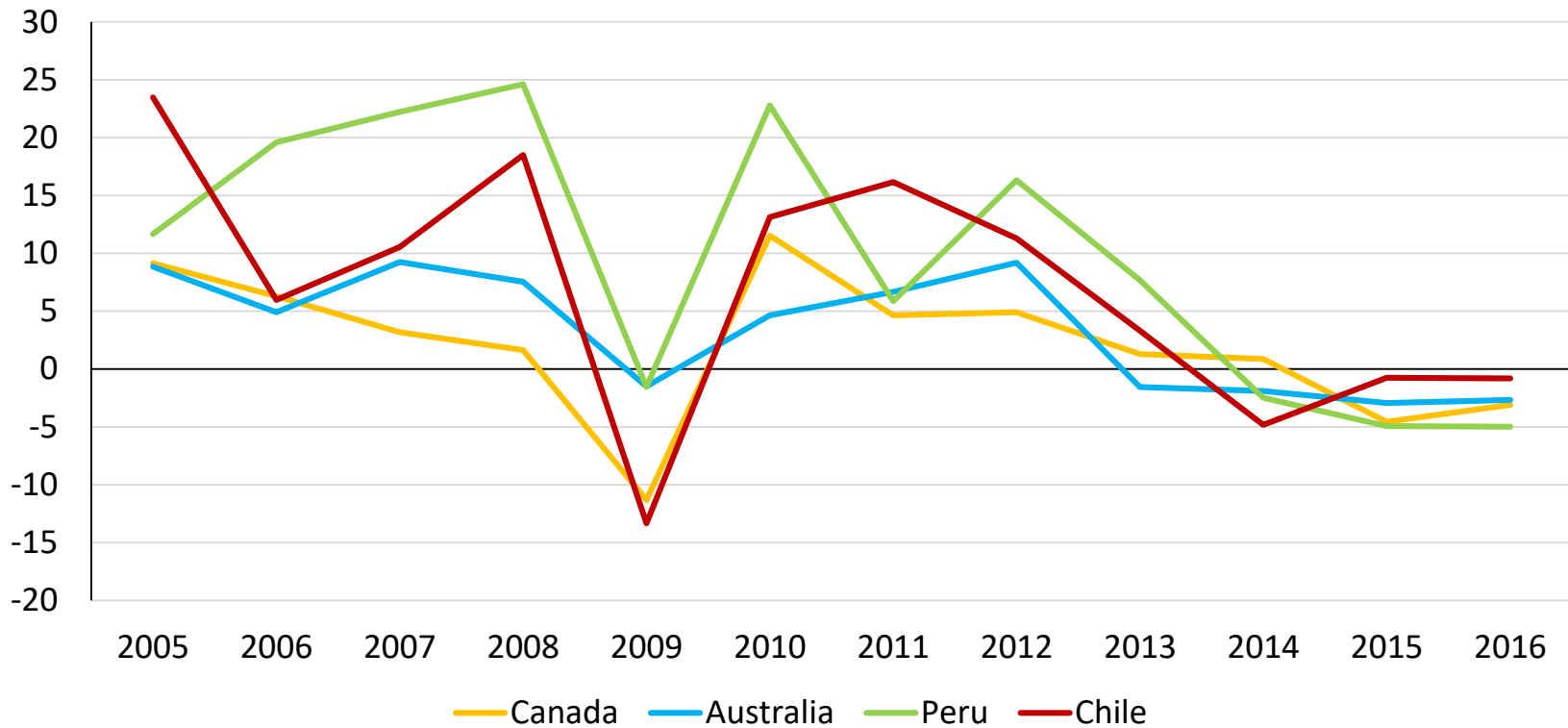
Gross fixed capital formation (YoY growth)



Mining super-cycle

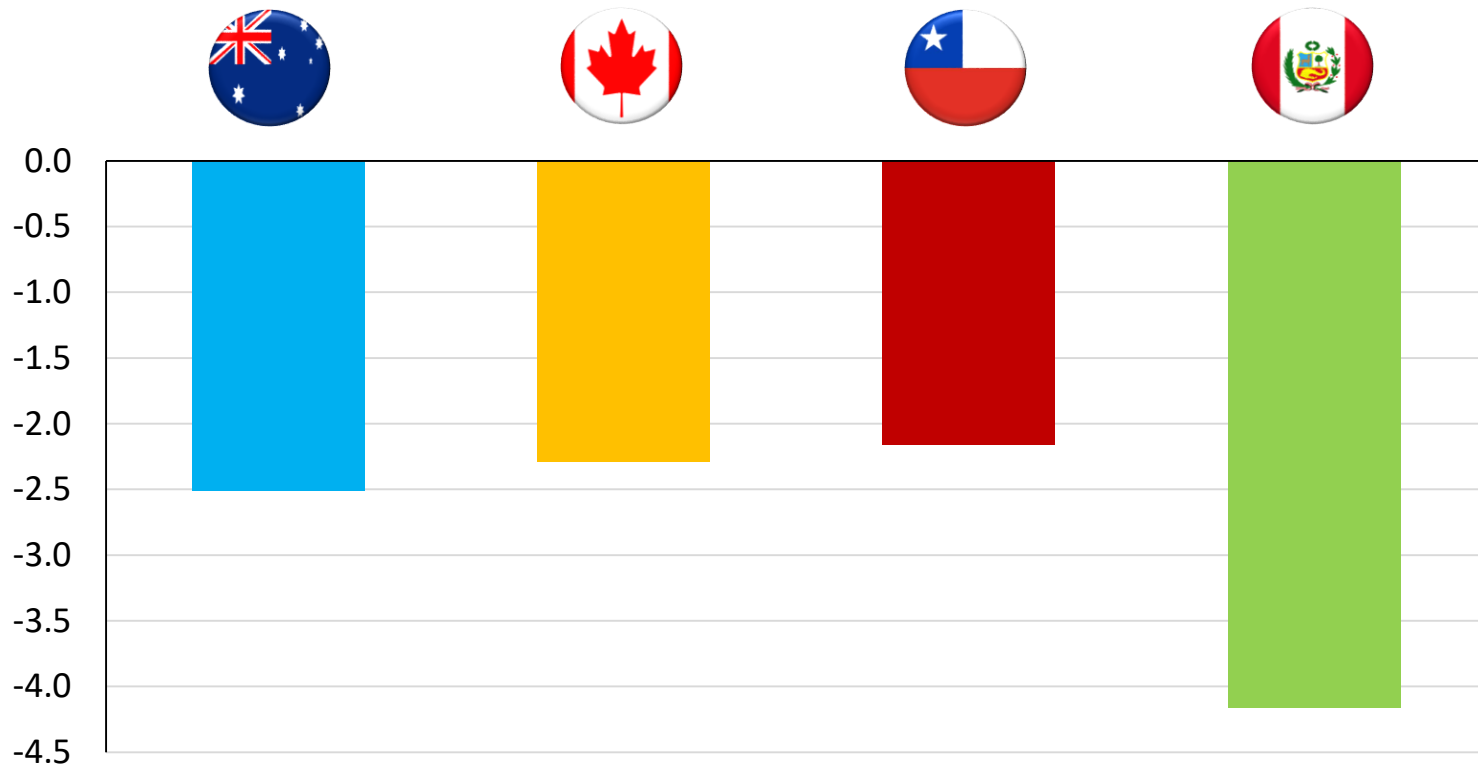


Gross fixed capital formation (YoY growth)



Mining super-cycle

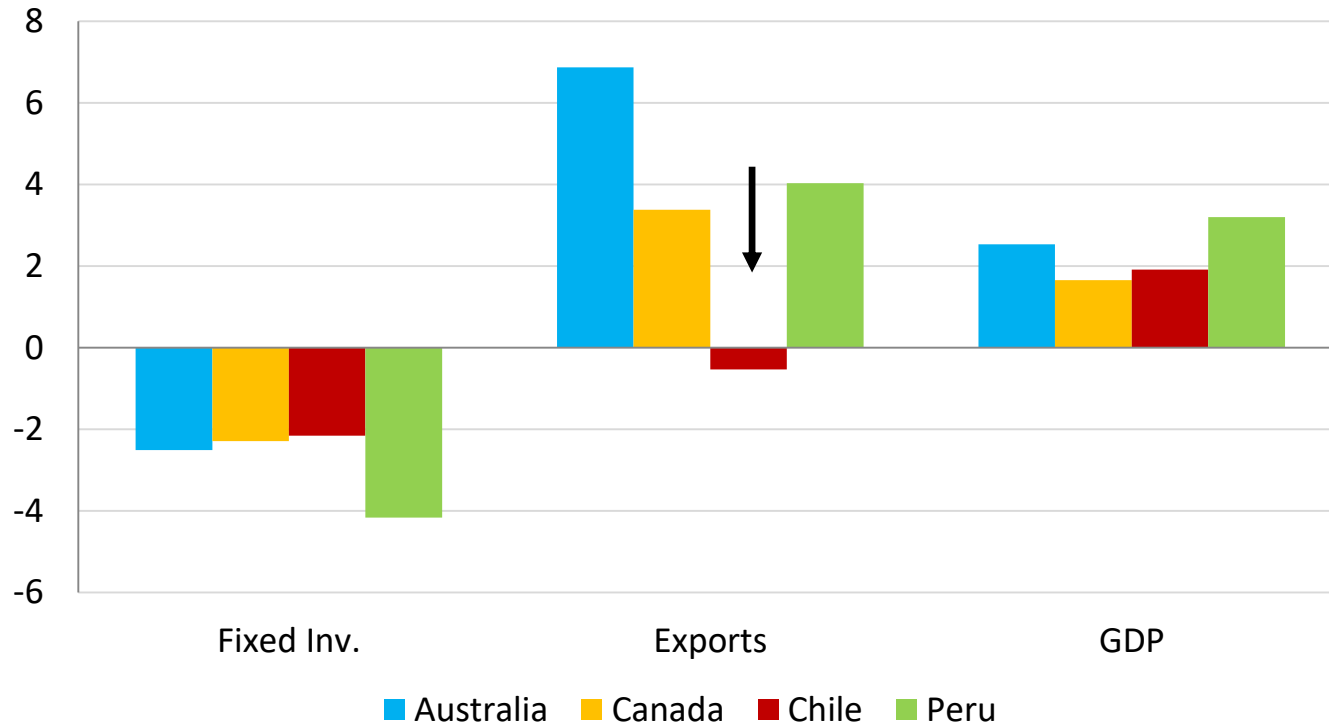
Gross fixed capital formation
(Average growth, 2014-2016)



Mining super-cycle



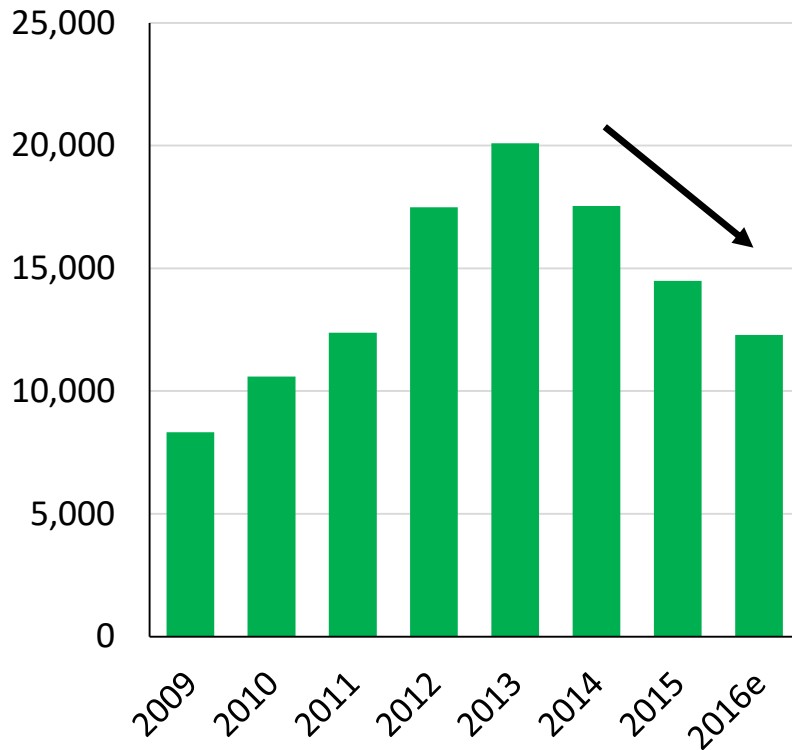
GDP, gross fixed capital formation and exports
(Annualized growth, 2014-2016)



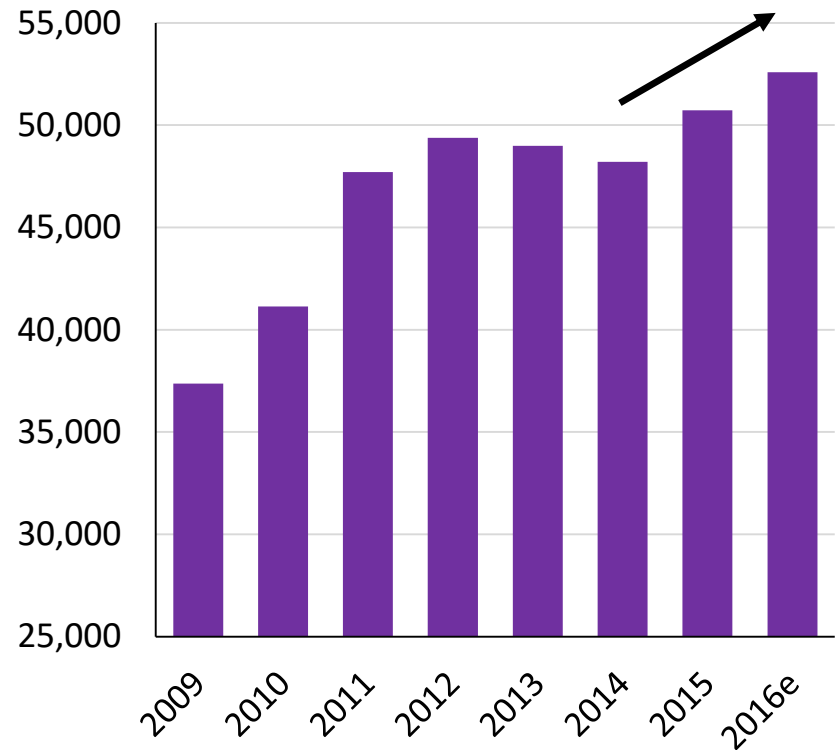
Gross fixed capital formation by sector



Mining
(MM US\$ 2013)



Non-mining
(MM US\$ 2013)

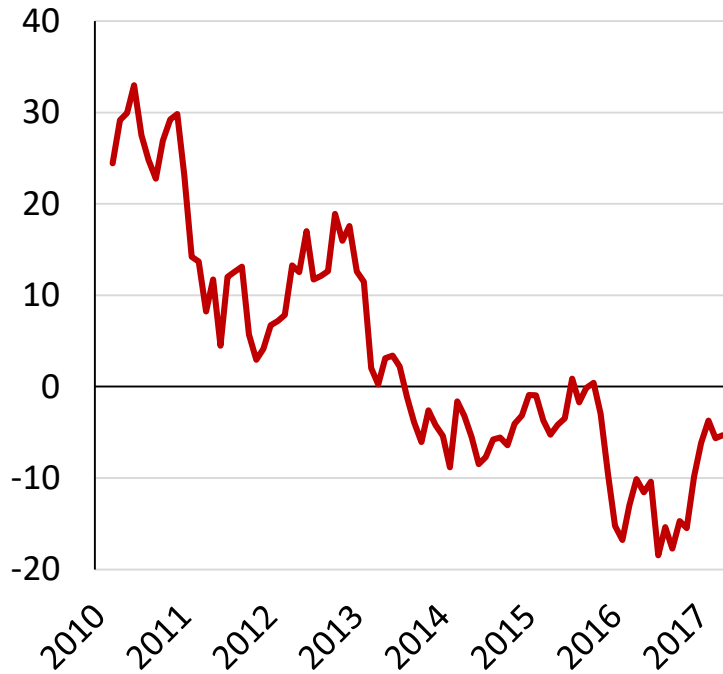


Mining adjustment in Chile



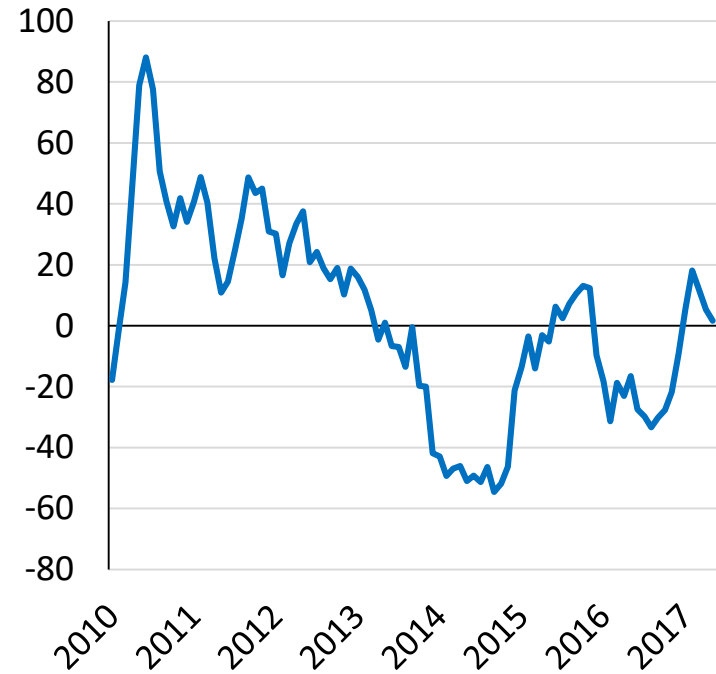
Mining employment

(YoY growth)



Mining and construction machinery imports

(YoY growth, 3MMA)



Outline



Mining super-cycle



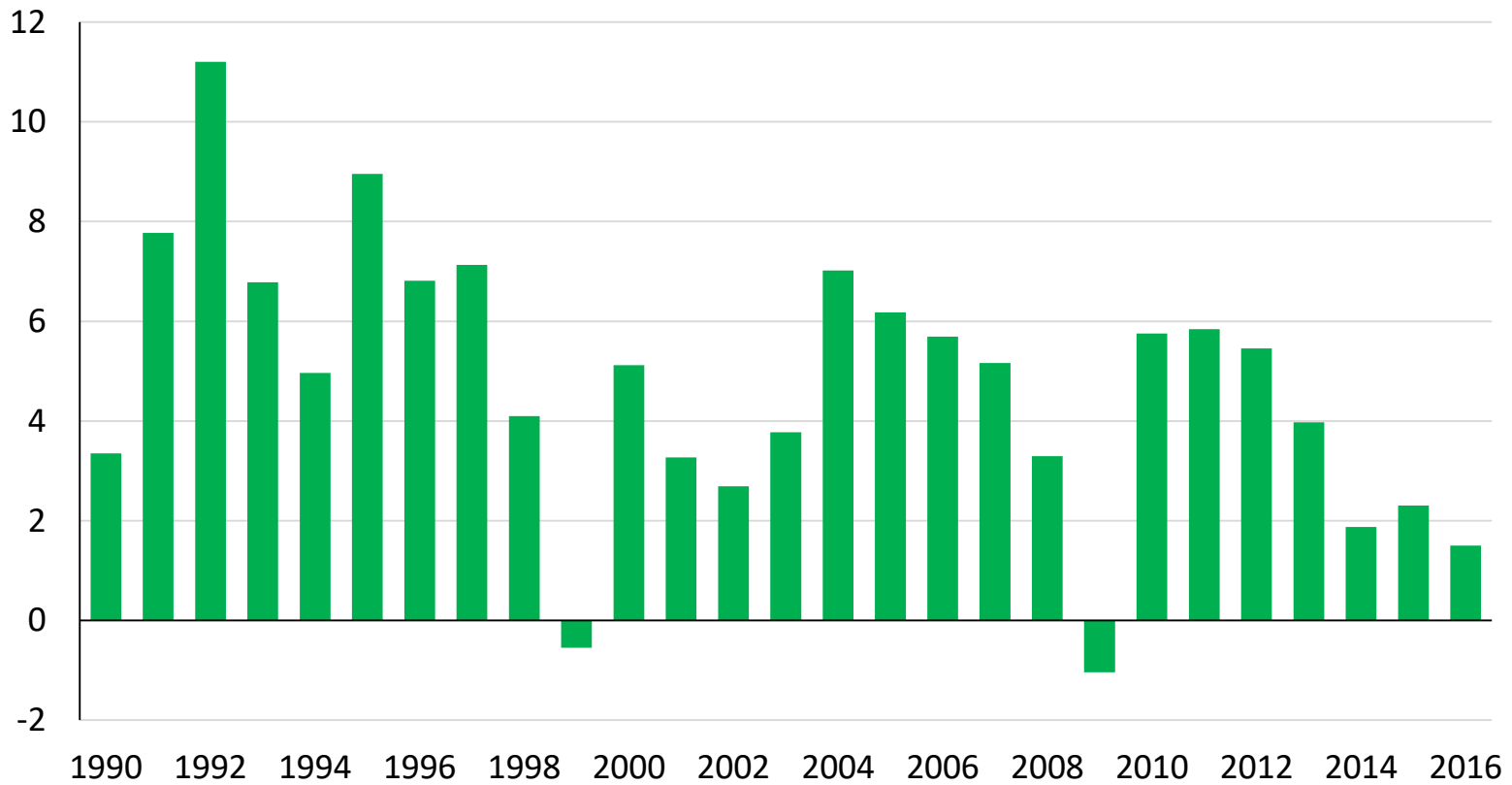
Structural challenges
and reforms



Short-term macro

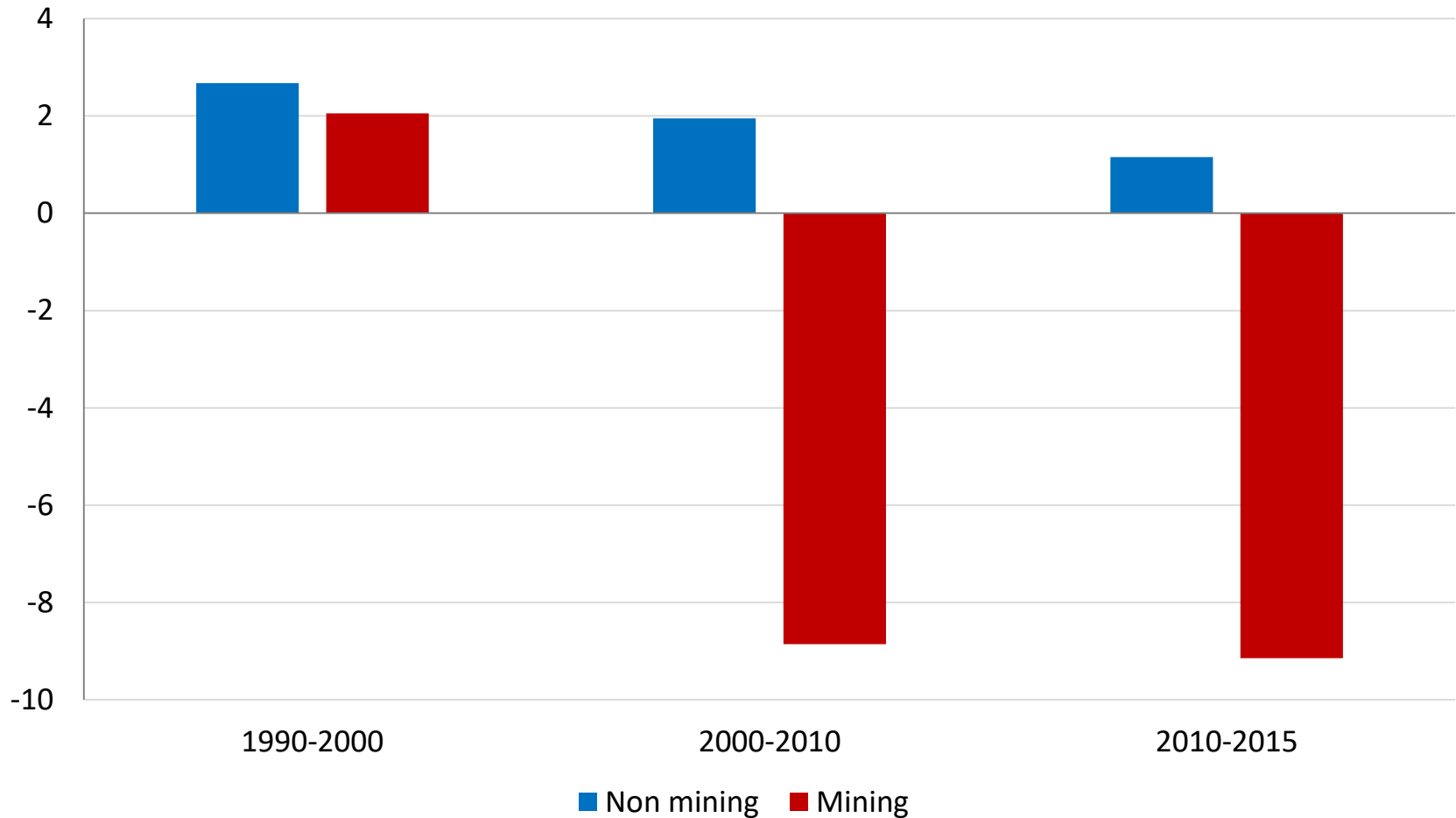
GDP Growth

(YoY, percentage)



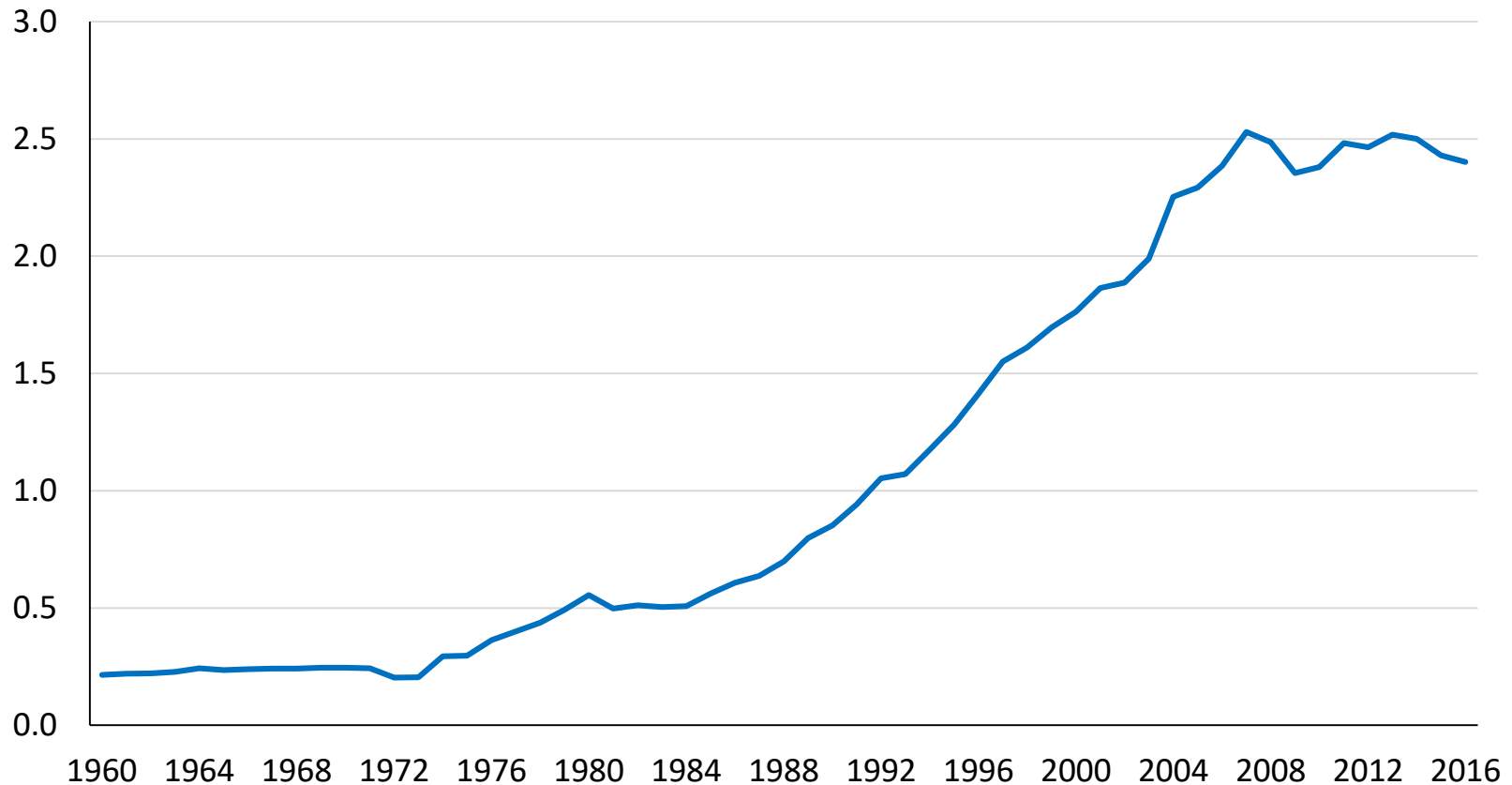
Chile: total factor productivity

(YoY, percentage)



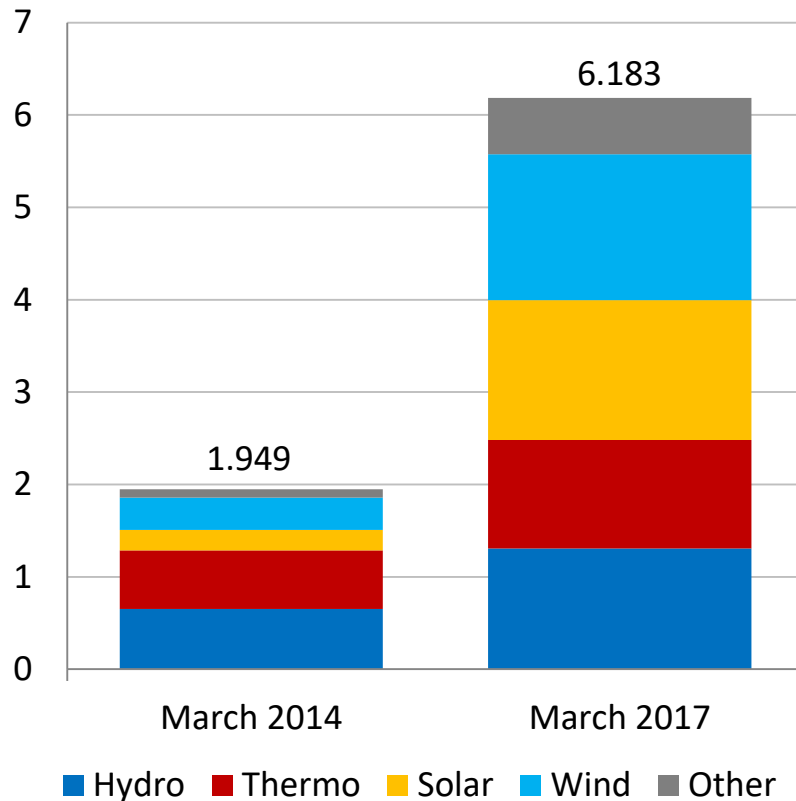
Per capita exports

(Chained volume at previous year prices, reference 2013)

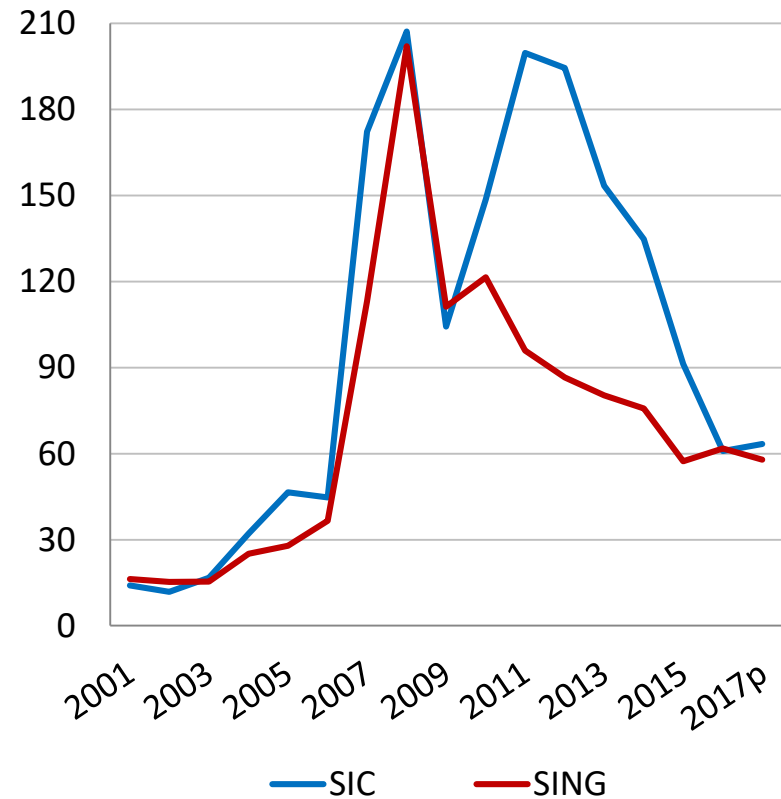


Energy policy

Electric power plants under construction
(Thousands of Megawatts)



Electricity marginal cost
(Dollars per Megawatt/hour)

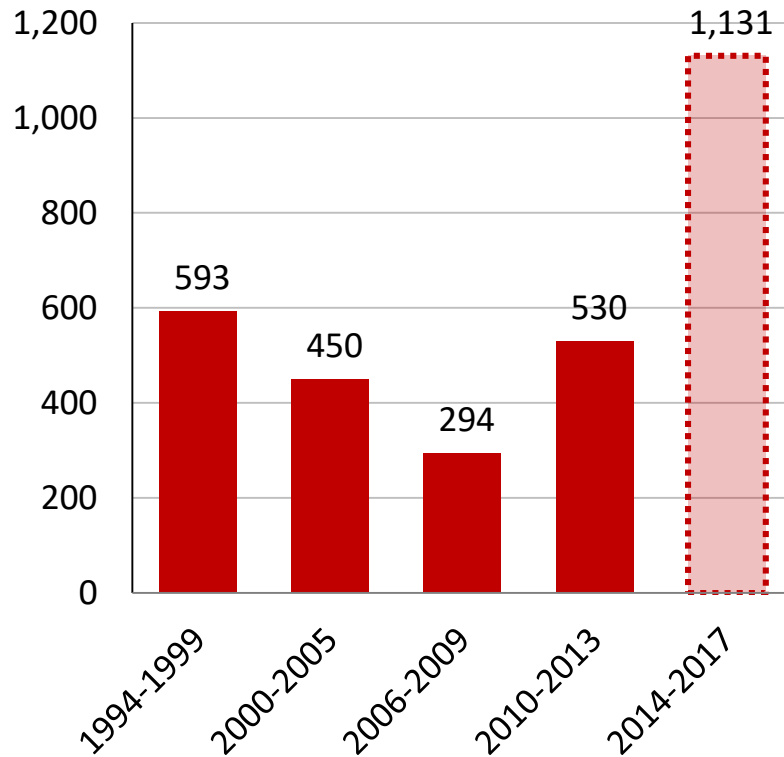


Sources: Ministry of Energy and CDEC-SIC and CDEC-SING.

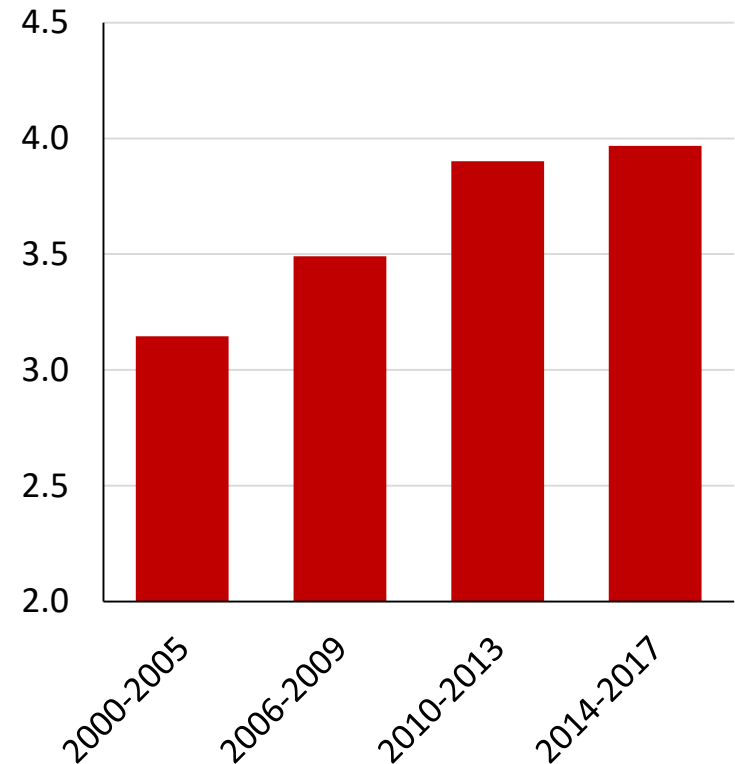
Infrastructure policy



Public-Private Partnerships (Million UFs, average per period)

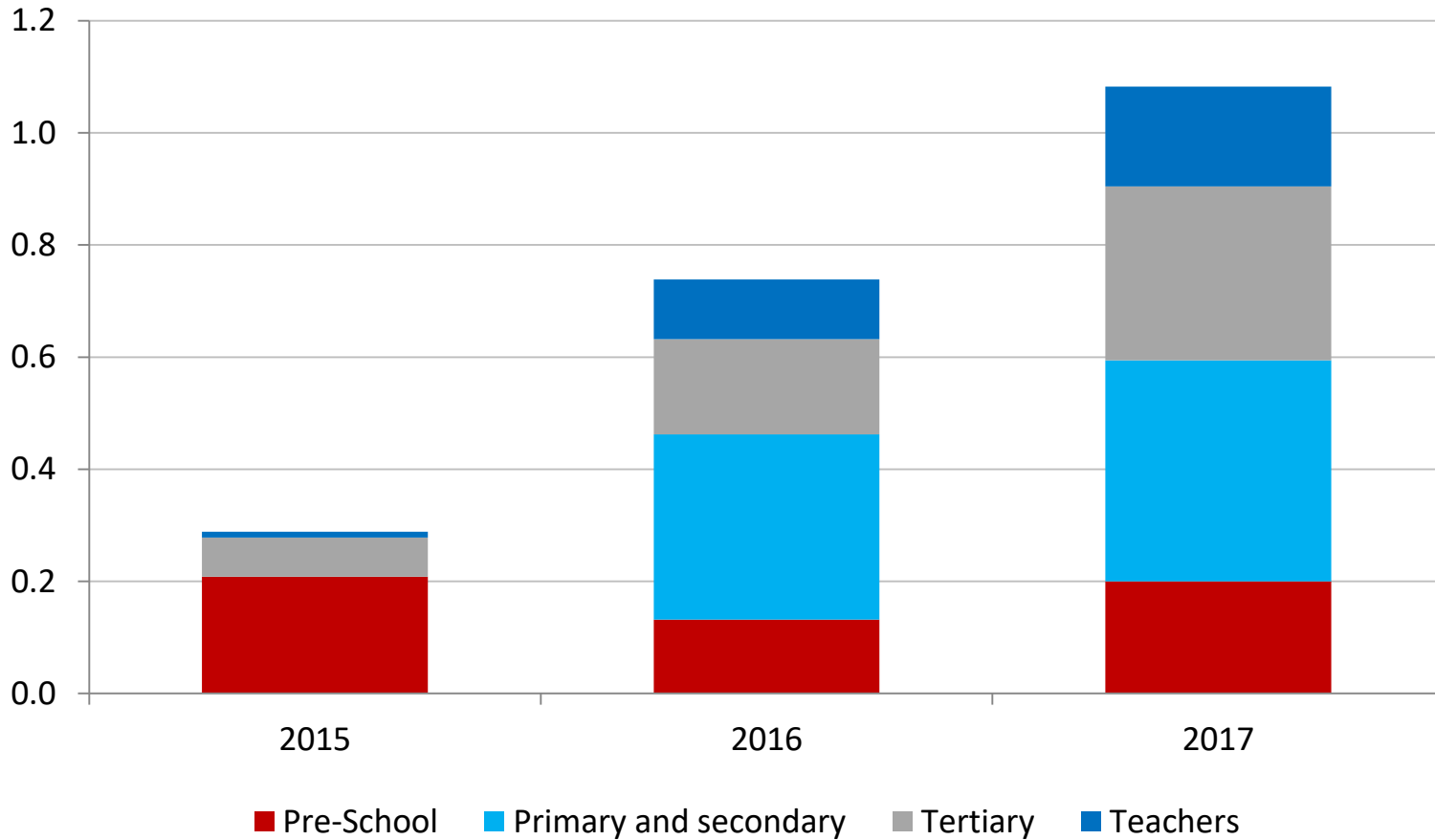


Government investment (Capital expenditure as percentage of GDP)



Education reform

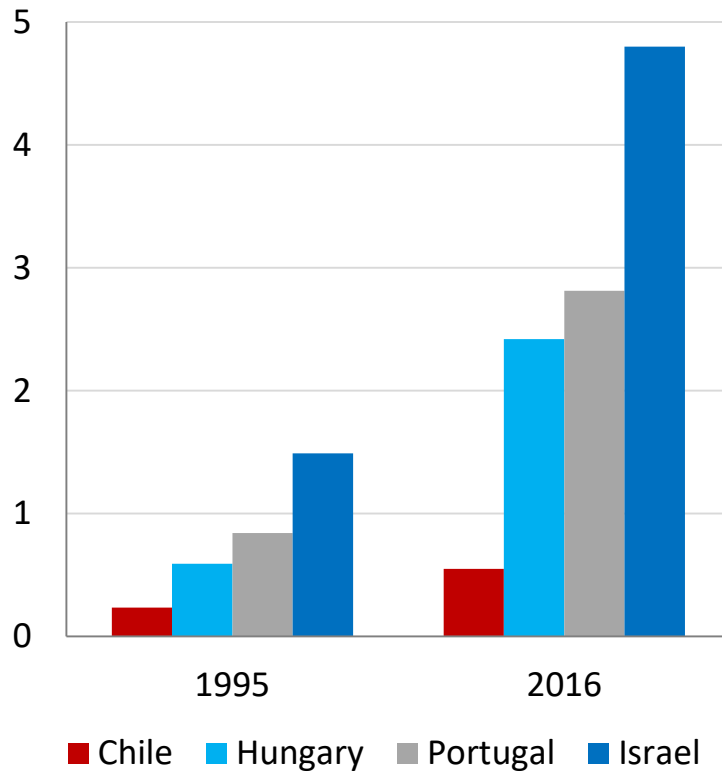
(Incremental spending, % of GDP)



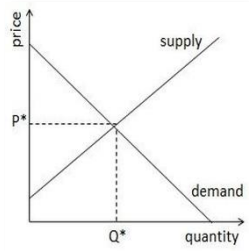
Diversification and innovation

Services exports

(Thousands USD per capita)



Better markets, better government



- Antitrust policy.
- New financial markets regulation.
- Debit cards market.
- Pension system and alternative assets.
- Banking and personal data bills.



- New Civil Service law.
- New corporate governance in ENAP and TVN.
- New rules for political campaigns and party financing.
- Digital government.
- Coordination in strategic sectors.

Outline



Mining super-cycle



Structural challenges
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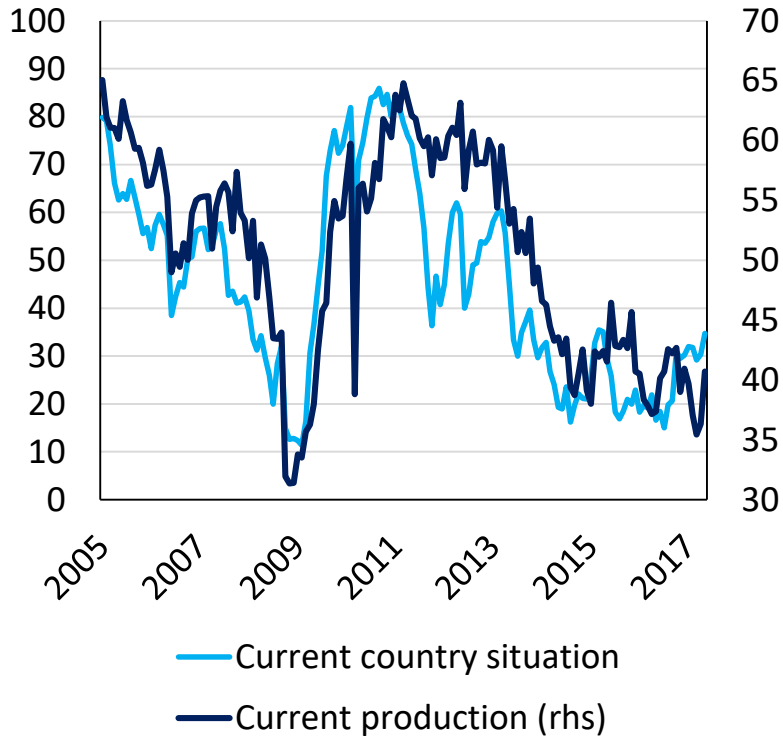


Short-term macro

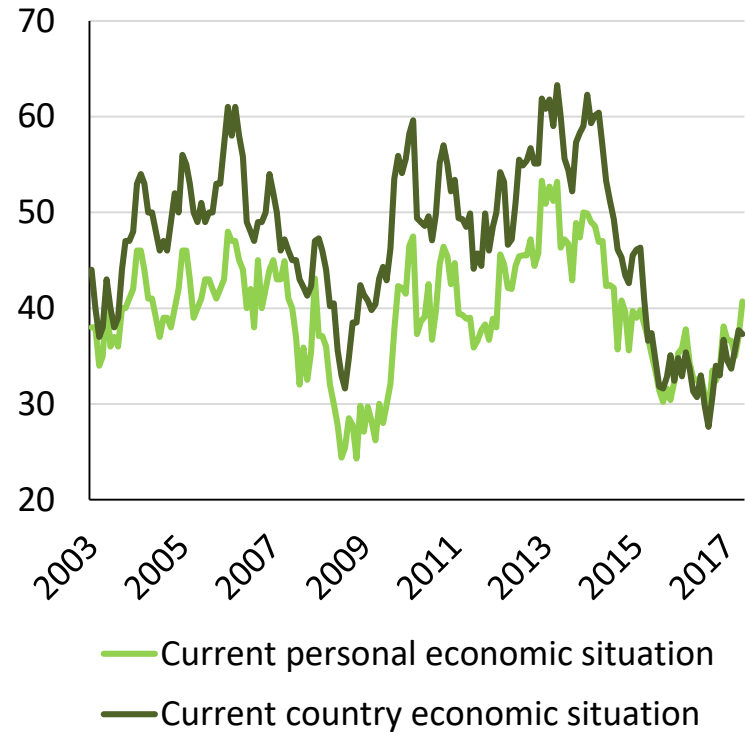
Confidence



Business PMI
(Diffusion index)



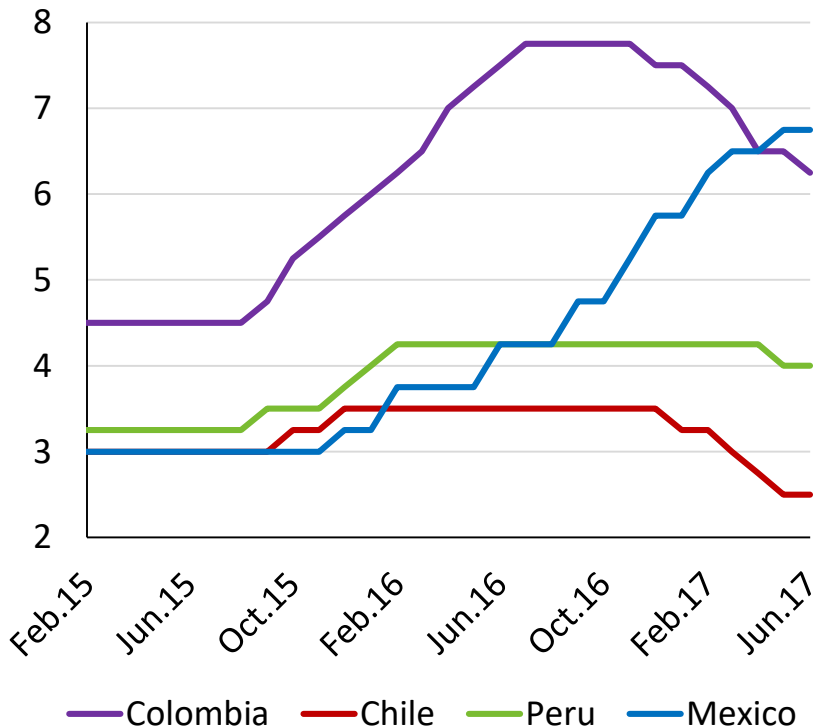
Consumer confidence
(Diffusion index)



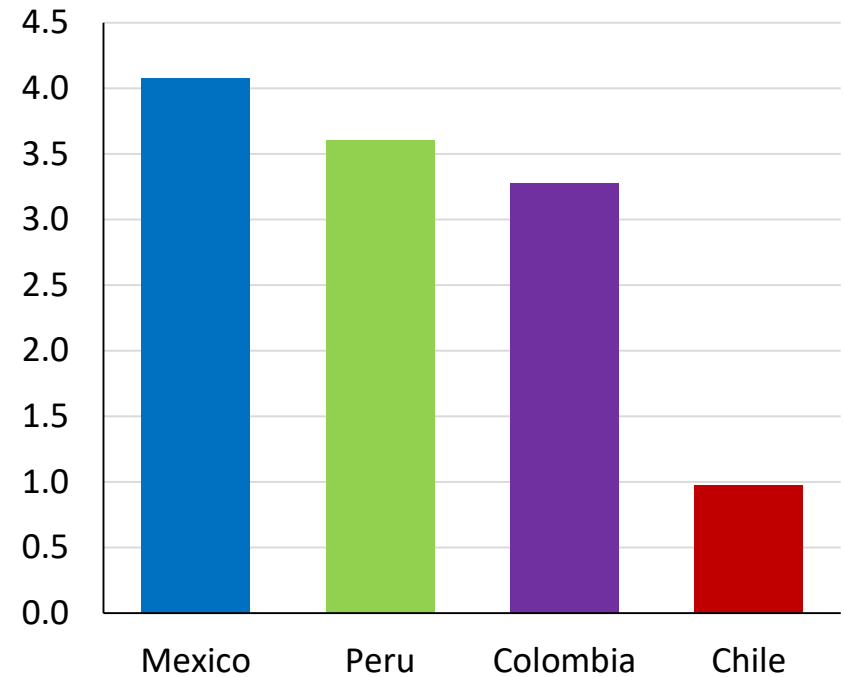
Monetary policy rate and real interest rate



Monetary Policy Rate
(Percentage)



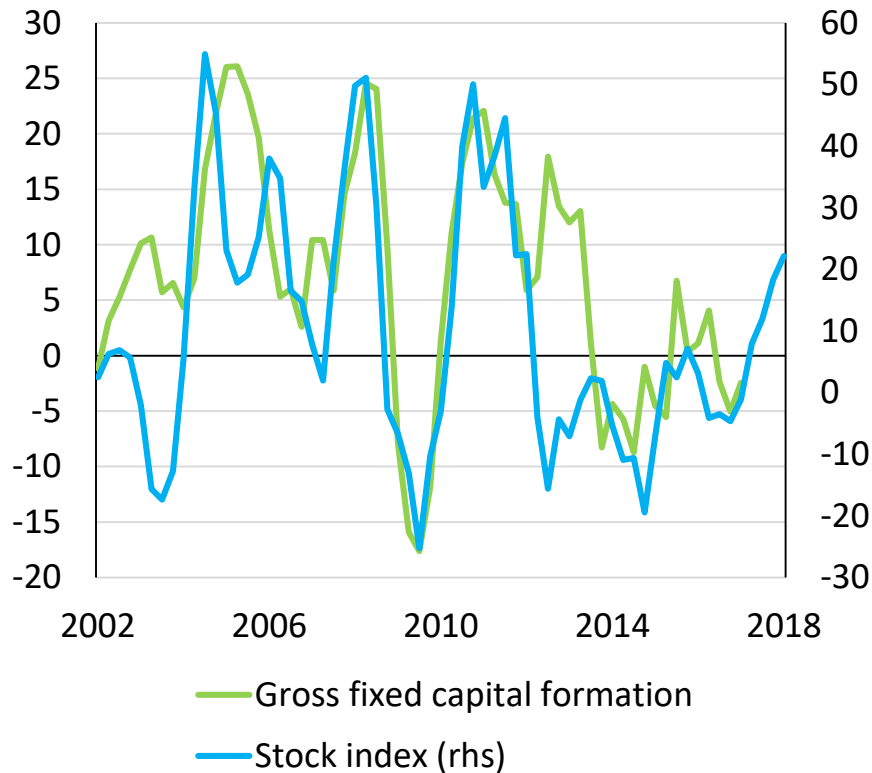
10-year real interest rate
(June 2017 nominal minus inflation target, percentage)



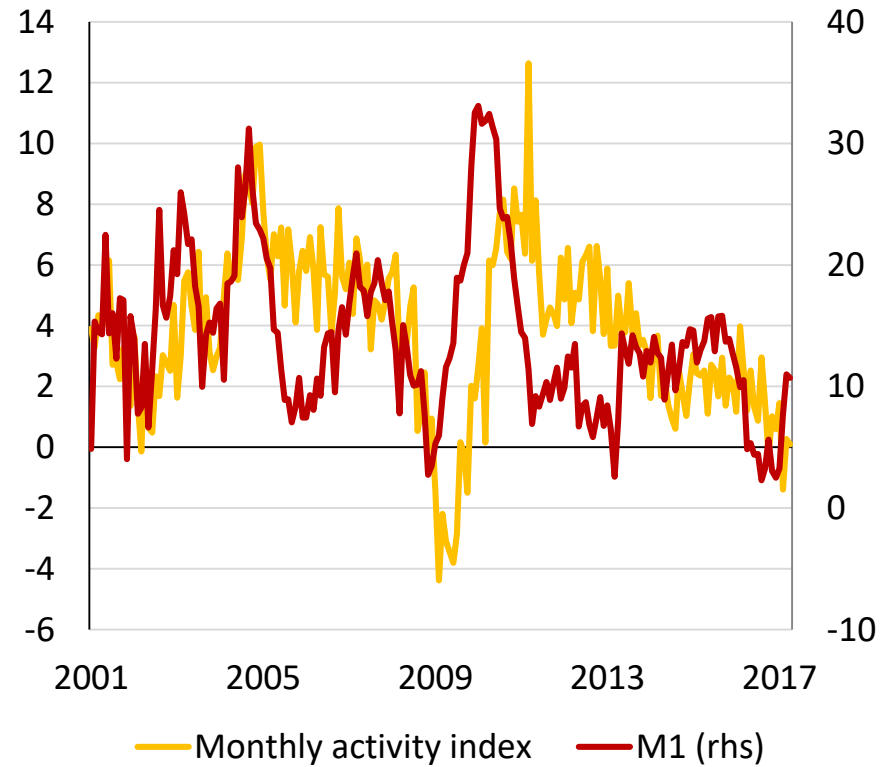
Leading indicators



Stock market (t-9) and investment
(YoY growth)



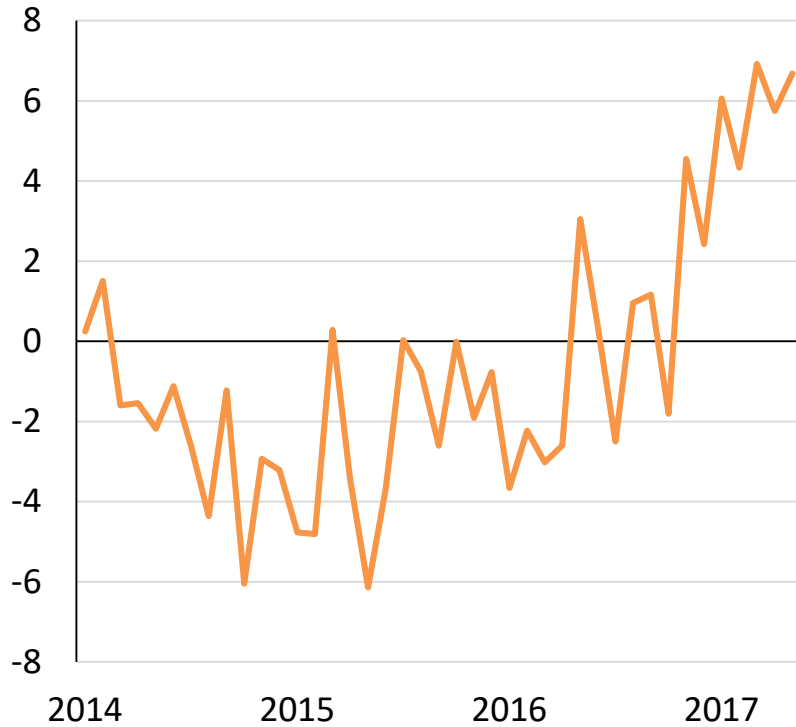
GDP and money (M1 t+1)
(YoY growth)



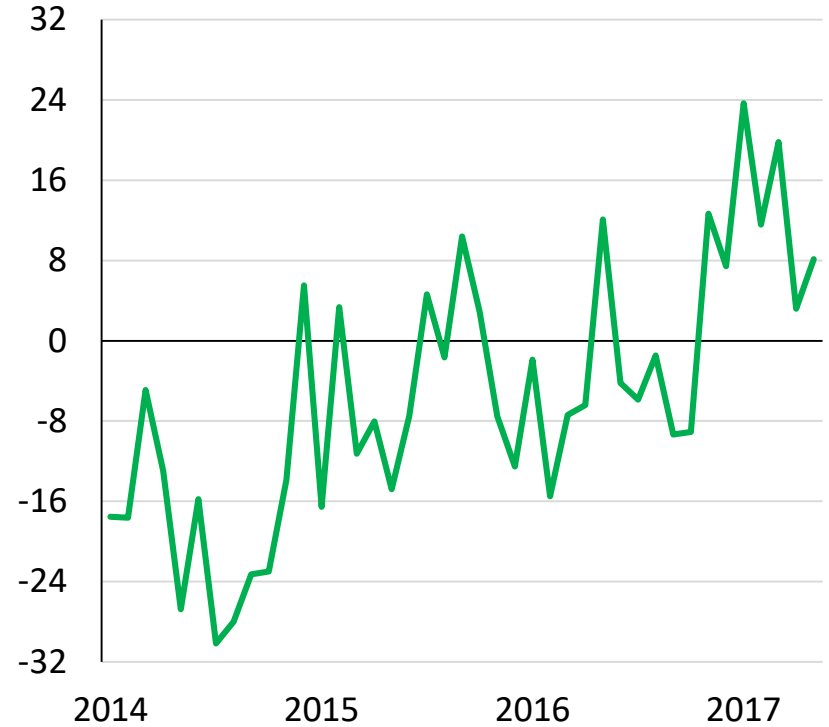
Imports



Consumption goods (YoY growth)



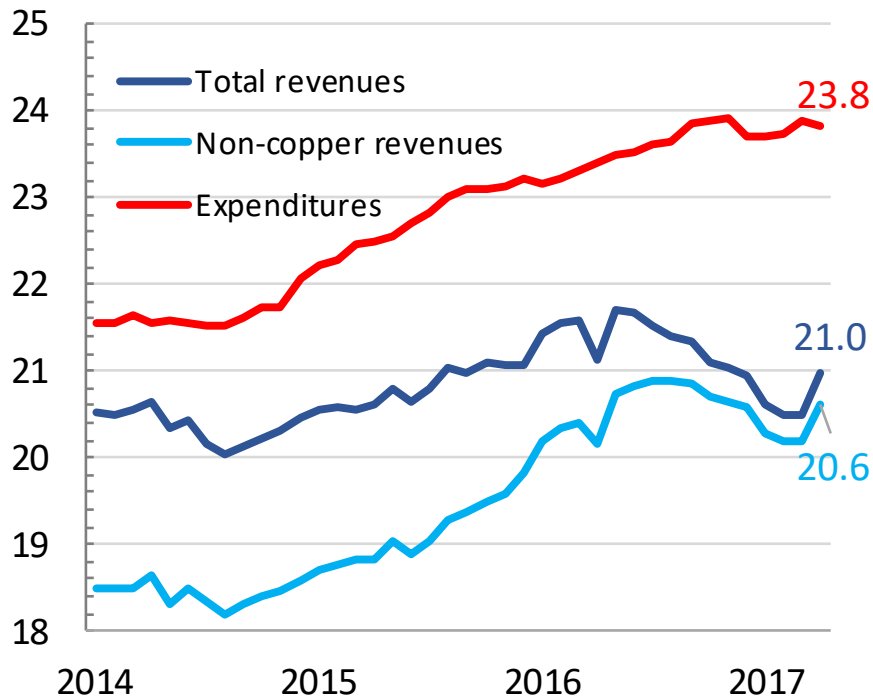
Core capital goods (YoY growth)



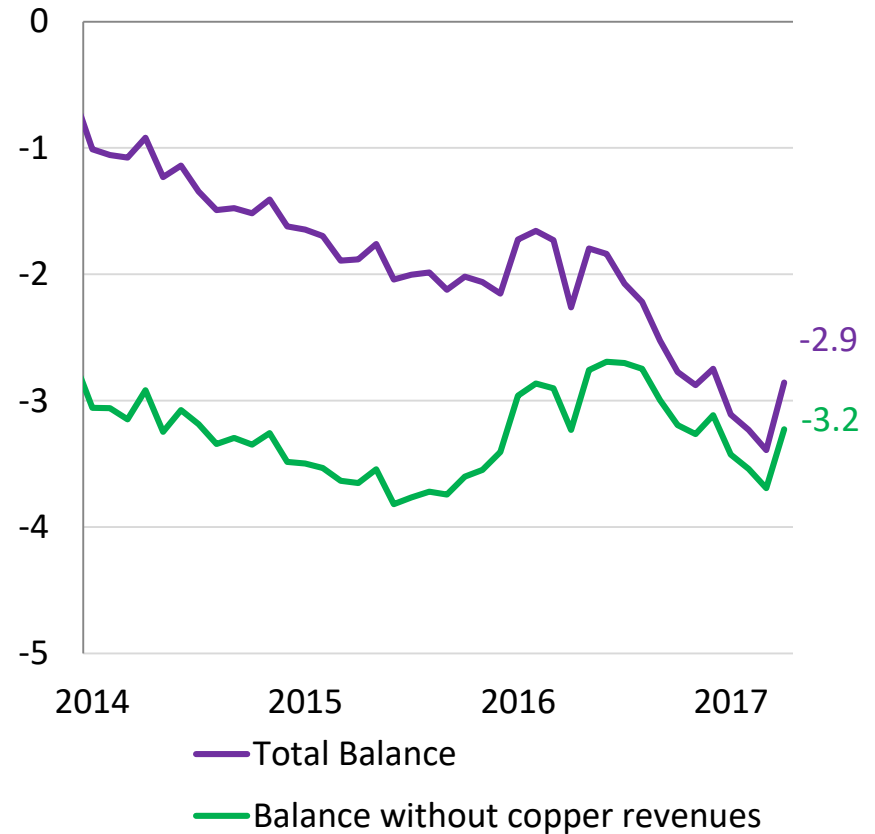
Fiscal policy



Revenues and Expenditures
(12-month trailing percentage of GDP)

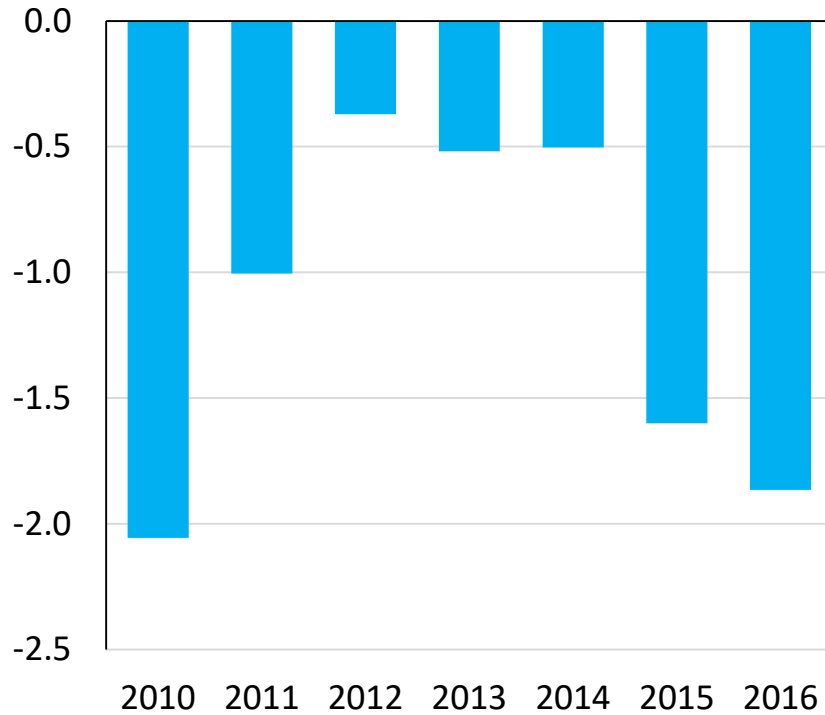


Fiscal Balance
(12-month trailing percentage of GDP)

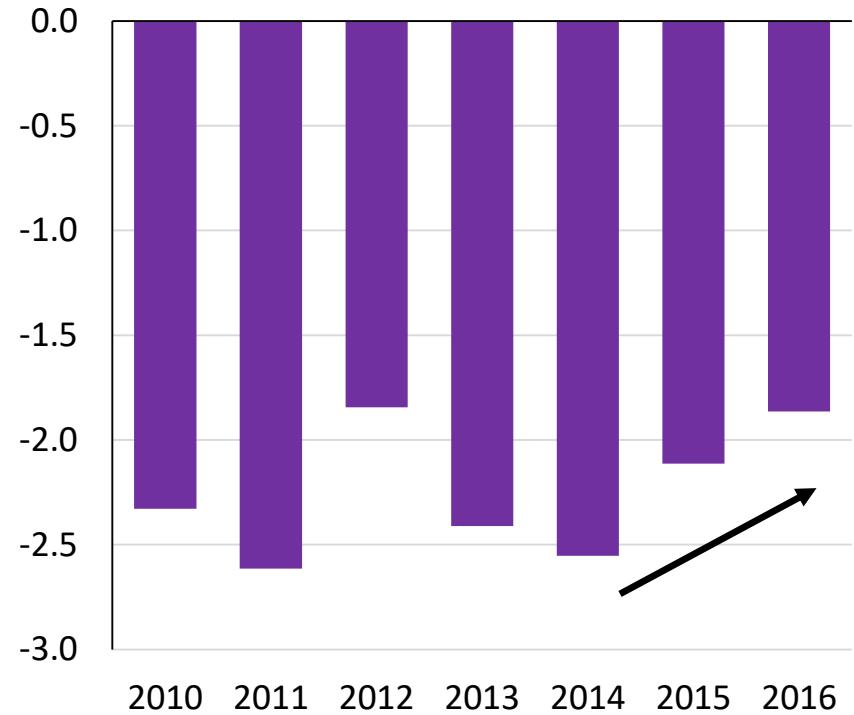


Structural balance

Real time
(Percentage of GDP)



Actual (ex-post)
(Percentage of GDP)

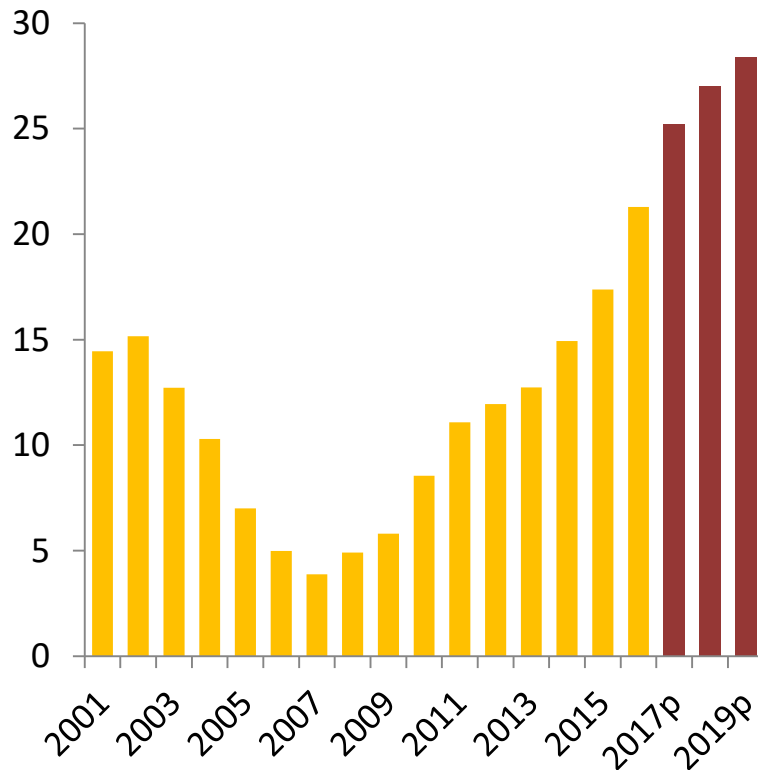


Central Government financial position



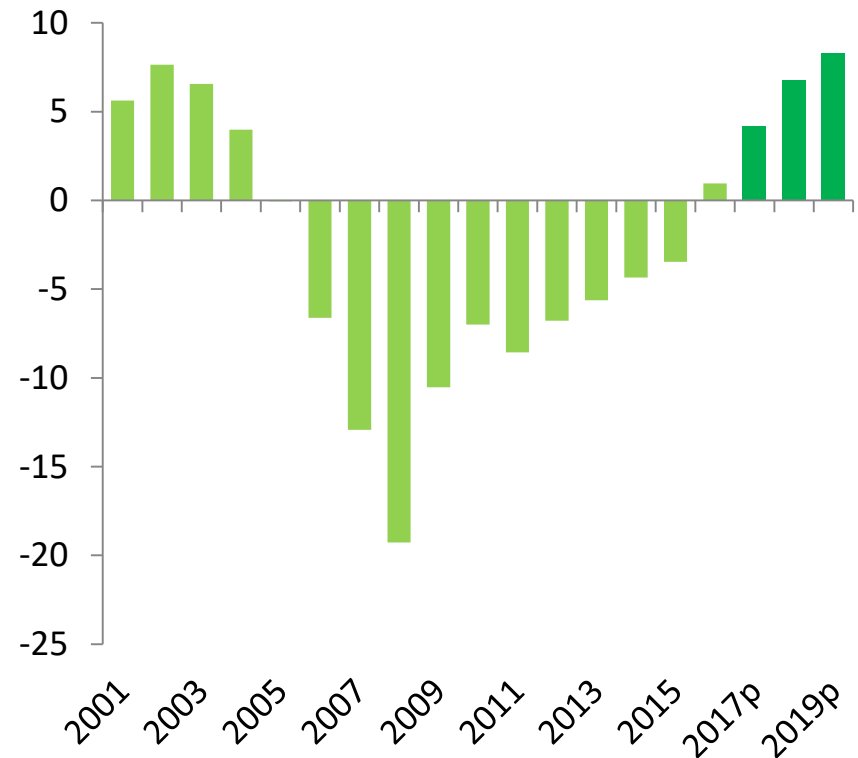
Gross debt

(Percentage of GDP)



Net debt

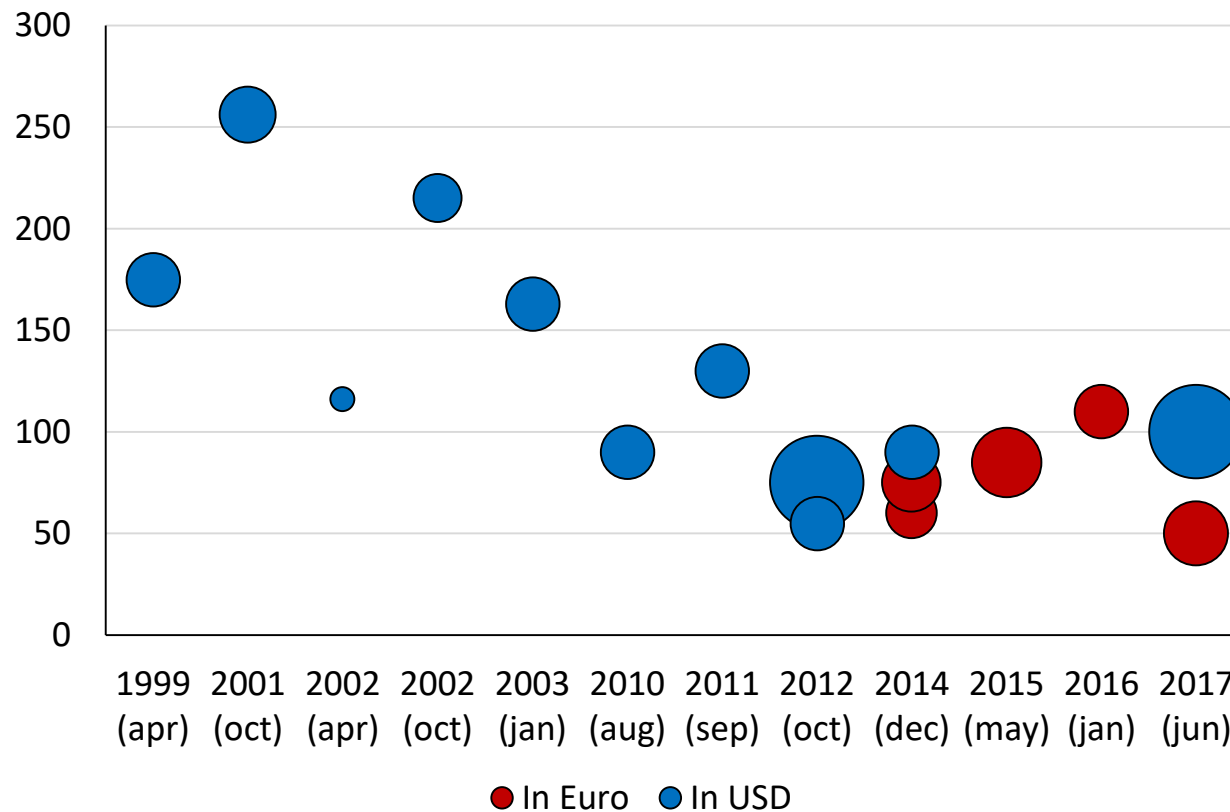
(Percentage of GDP)



Sovereign bonds

Spread of sovereign bonds

(Basis points, circumference size indicates maturity)



Note: For bonds in USD, spread over Treasury Bonds. For bonds in Euro, spread over mid-swap.
Source: Ministry of Finance.

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