CareEdge Global assigns 'Stable' outlook to the rating of the Republic of Chile

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge A-' (Unsolicited)

Issuer rating	CareEdge A-/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of the Republic of Chile, while reaffirming the Long-Term Foreign Currency rating of 'CareEdge A-' (Unsolicited).

The stable rating outlook reflects CareEdge Global's expectation that Chile will continue fiscal consolidation as fiscal deficit is expected to narrow from 1% of GDP in 2025 and to 0.5% of GDP in 2026, primarily due to higher tax collection, driven by measures taken under the Fiscal Responsibility Law in 2024. Further, Chile should continue its prudent monetary policies, while also maintaining the quality of institutions. Monetary easing is expected in the medium term as the inflation soothes and reaches within the target band.

Further, investments in the mining sector should boost mining production as well as the government's revenue leading to improvement in Real GDP growth to an average of 2.21% between 2025-29 along with the narrowing current account deficit of 2.4% between 2025-27.

Upside Scenario
Ratings could be improved if the economy demonstrates robust economic growth from the expected level supporting fiscal consolidation significantly. Further, reduction in dependence on commodities and diversification of its trade, insulating from country specific external shocks, should strengthen the credit profile over the medium term.

Downside Scenario
The outlook may face downward pressure if economic growth falls short of expectations, likely impacting the fiscal consolidation trajectory. Additionally, adverse developments in the political landscape such as reversal of the deadlock over constitutional reforms could pose risks to the rating. Since the trade concentration is very high with China (nearly, 39% of exports and 25% of imports, 13% and 9% of GDP respectively), slowdown in China and its spillover on Chilean external demand could also add pressure on the credit profile.

Rationale
The reaffirmation of Chile's rating reflects its autonomous institutional frameworks and prudent macroeconomic and fiscal policymaking. Chile is an export-driven economy valued at over USD 330 billion in 2024, with metals and minerals contributing more than 50 percent to its total exports. Compared to other Latin American countries, the income levels of Chile are relatively higher, with a per capita GDP of USD 29,693 in 2024 (constant prices, purchasing power parity basis). Chile also ranks the highest in the Latin American region on the global

competitiveness index.

Although Chile's fiscal situation has recently weakened, its debt levels are still manageable at 42% of GDP (in 2024), with fiscal reserves like the Economic and Social Stabilization Fund (ESSF) USD 9.4 billion (in 2024) offering additional cushion.

However, high trade concentration with China and the United States, reliance on commodities such as copper, other metals and minerals, high external debt which is 75% of GDP (in 2025) along with recent political deadlock over constitutional reforms partly offsets the strengths. Monitoring the progress and impact of the adopted structural fiscal reforms, which seek to increase government revenue and enhance productivity, is crucial.

Key Rating Drivers

Economic Structure & Resilience

Chile's economic assessment is underpinned by its large commodity-export driven economy, with its economic health closely tied to its trade relationships with China and the United States. Real GDP observed 2.64% growth in 2024 higher than 0.52% in 2023 on the back of higher external demand and favourable commodity prices. Real GDP grew by 2.38% in Q1 2025, higher than annual forecast for the year 2025 on account of increased private consumption and investment in Q1 2025. Private consumption grew by 0.09% in Q4 2024 and 5.20% in Q1 2025 respectively, after observing negative growth in Q1, Q2 and Q3 in 2024. Investment grew by 3.88% in Q4 2024 and 5.79% in Q1 2025 respectively.

Metals and Minerals exports are a major source of revenue for the economy as it accounts for more than 50% of total exports. However, this also exposes the economy to price volatility of metals and minerals as well as global demand. Unexploited lithium deposits, comprising 50% of the world's total, offer new opportunities as global demand for green technologies rises.

Fiscal Strength

In 2024, the country observed a fiscal deficit of 2.8% of GDP, higher than target of 2% set in the particular year. The actual deficit exceeded the targeted because of lower revenue collection due to shortage of VAT collection on account of lower domestic demand. Also, the expenditure rose slightly due to increased transfers and subsidies. Recent budgets have reallocated spending towards mitigating the impact of high energy prices, employment subsidies in lagging sectors and targeted transfers to households.

Chile's government debt levels are relatively low but have shown an upward trend, reaching 42% of GDP in 2024 from 26% in 2018. To strengthen its fiscal position over the medium term, Chile has enacted the Fiscal Responsibility Law in 2024 which includes a debt ceiling of 45% of GDP and target fiscal deficit annually. It also boosts government revenue through measures taken such as curbing tax evasion and improving revenue collection mechanism.

The establishment of the ESSF has helped reduce reliance on public debt for financing fiscal needs. Despite the potential for higher government revenue because of imposition of reforms, increased social spending will pose challenges.

External Position & Linkages

Chile has observed a persistent current account deficit. The current account deficit has improved to 1.5% of GDP in 2024 from a high of 8.6% in 2022 and 3.5% in 2023. Chile is projected to maintain its CAD at an average of 2.4% over the medium term from 2025-2028. High exposure to commodity price volatility will continue to pose a challenge for the current account balance. The economy has healthy foreign direct investment (3.8% of GDP in 2024) to fund the deficit. Chile's external debt has been rising since 2011 and stood at 75% of GDP and 71.7% of GDP in 2024 and 2023 respectively. A large part of the external debt stems from intercompany lending (24.3% of total external debt) somewhat mitigating external risk. Chile's access to USD 18.5 billion new flexible credit line arrangement, approved by the IMF, provides external liquidity support.

Monetary & Financial Stability

Chile's monetary assessment is supported by a free-floating exchange rate and an autonomous Central Bank. As against the Central Bank's inflation target range of 3% (+/-1%), the CPI inflation fell to 4.26% in 2024 from 7.6% in 2023 from a high of 11.7% in the previous year. CPI inflation reached 4.84% in Q1 2025 due to recent hike in the electricity tariffs. The central bank reacted by cutting rates to 5.00% in 2024 end from a high of 11.25% in 2022.

The financial sector remains resilient, backed by strong capital buffers and healthy regulation. The recent implementation of the Countercyclical Capital Buffer and steady Basel III adoption bolster the sector's resilience. Chile's banking system is well capitalized and maintains a high level of liquidity. The Central Bank of Chile closely monitors the sector for systemic risks and is proactive in its regulatory role.

Institutions & Quality of Governance

Chile has healthy, autonomous institutions, including its judiciary, regulatory bodies, and central bank, which operate with significant independence and transparency. Chile has been under political transformation driven by continuous efforts towards constitutional reform. Attempts to pass proposed draft constitutions have faltered twice since 2022, leaving the future direction uncertain. The prevailing climate of uncertainty in political atmosphere, presents new challenges to the nation's democratic processes. The progress of the reform process and its long-term impact on fiscal and economic policy is an important monitorable.

Chile – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	278	254	315	301	336	330	344	358
GDP Per Capita (Constant-PPP)	USD	28350	26128	28759	29156	29114	29697	30120	30601
Real GDP Growth	%	0.6	-6.1	11.3	2.2	0.5	2.6	2.0	2.2
GFCF/GDP	%	24.6	22.6	23.3	25.3	23.8	23.5	-	-
Gross Domestic Savings/GDP	%	19.7	19.1	16.7	16.9	20.2	21.8	21.3	21.2
Exports (G&S)/GDP	%	24.7	29.1	30.0	32.6	27.7	30.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	69.0	69.0	68.9	68.7	68.4	68.1	67.8	67.5
Old-Age (65+) Population (% Share in Total)	%	12.1	12.4	12.7	13.0	13.5	13.9	14.4	14.9
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.4	-6.6	-6.9	1.8	-1.9	-2.0	-1.1	-0.1
Revenue/GDP	%	23.8	22	26.1	28.1	25.1	23.7	24.6	25.1
Expenditure/GDP	%								
GG Gross Debt/GDP	%	28.3	32.4	36.5	37.9	39.4	42.0	43.0	43.4
GG External Debt (by Creditor)/GG Gross Debt	%	38.3	38.2	45.3	35.7	37.1	36.0	-	-
Interest/Revenue	%	3.9	4.4	3.3	3.6	4.2	-	-	-
External Indicators									
Current Account Balance/GDP	%	-5.2	-1.9	-7.3	-8.8	-3.1	-1.5	-2.1	-2.4
FDI, Net Inflows/GDP	%	4.9	4.5	4.8	6.0	6.5	-	-	-
Outstanding FII Liabilities/GDP	%	37.9	45.0	42.5	41.5	39.8	-	-	-
NIIP/GDP	%	-15.7	-12.3	-7.8	-20.0	-19.0	17.1	-	-
Foreign Exchange Reserves	USD Billions	39.5	37.8	47.1	35.2	42.3	40.4	-	-
Import Cover	Months	5.9	6.9	6.0	4.0	5.6	6.2	-	-
External Debt/GDP	%	71.4	82.1	74.6	76.1	71.8	75	-	-
Monetary and Financial Indicators									
CPI Inflation	%	2.3	3.1	4.5	11.6	7.6	3.9	4.4	3.2
Exchange Rate (Average)	LC per USD	744.6	711.2	850.3	859.5	884.6	992.1	-	-
Non-Performing Loans/Total Gross Loans	%	2.1	1.6	1.2	1.6	2.1	2.4	-	-
Private debt, loans and debt securities/GDP	%	143.4	154.0	157.7	147.1	145.4	141.1	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status
The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A-/Stable	June 27, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A-	October 03, 2024

Criteria Applied
CareEdge Sovereign Rating Methodology

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CIN-U66190GJ2024PLC151103