



# CHILE

January 6, 2023

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

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Department

*The information below has become available following the issuance of the staff report. It does not alter the thrust of the staff appraisal.*

**1. Headline inflation moderated to 12.8 percent in December, from 13.3 percent in November, broadly in line with expectations.** Headline inflation continues its downward trajectory (having peaked at 14.1 percent in August), but core inflation has been more persistent at 10.7 percent (10.9 percent in August). Non-tradable inflation fell to 9 percent, while food inflation rose to 24.7 percent.

**2. The 2022 fiscal position and the government's FX liquidity buffers continued to strengthen in November.** The rolling 12m headline fiscal balance improved to 1.4 percent of GDP in November (from 0.8 percent of GDP in October), and the surplus for 2022 will likely exceed the forecast of 1.6 percent of GDP in the staff report. The government's usable liquid FX assets increased to about US\$18.4 billion in November, from US\$17 billion in October, including US\$7.4 billion in the sovereign wealth fund and US\$6.8 billion in the pension reserve fund.

**3. The government announced measures within the 2023 Budget to support vulnerable households in the context of the high cost of living.** Proposed measures include cash transfers, an extension of the job creation subsidy, and a new state guarantee fund for construction loans, among others. The ministry of finance estimates the cost at about US\$2 billion (0.7 percent of GDP), which will be financed by spending reallocations within the envelope of the 2023 Budget.

**4. The Senate approved the constitutional amendment for the new constitutional reform process.** The amendment was approved by ample majority with minimal changes to the original timeline (see Box 1 of the staff report). The experts will begin their work in March and the constitutional council would be elected in May. A new draft proposal would be delivered by November, with a referendum with mandatory voting in December. The amendment will next be discussed in the Lower House.

**5. Congress advanced discussions on the fiscal reform agenda.** The tax reform (presented in July 2022) made progress in the Finance Committee of the Lower House. The draft mining royalty bill was approved by the Senate's Mining Committee and will next be discussed by the Senate's Finance Committee. Proposed refinements to the fiscal framework have been approved by the Lower House and are now under discussion in the Finance Committee of the Senate.