

July 25th, 2022

Ministry of Finance implements methodological change to Fiscal Structural Balance

Santiago, July 25th, 2022.-

- *The adjustments proposed includes the calculation of a non-mining trend GDP, in order to avoid prolonged deficits that could erode fiscal sustainability.*

Previous to the 2023 Budget Process, the Ministry of Finance has proposed a methodological change to the calculation of trend GDP, requesting the estimation of a non-mining trend GDP, instead of the current estimation of a trend GDP.

These adjustments seek to improve the estimation of the non-mining GDP level. A lower non-mining trend GDP would imply lower structural incomes in 2023, allowing lower expenditures and a better effective balance, with its effect on structural balance. This could imply a lower increase in fiscal expenditures for the next year.

The final result will depend on the projections made by the Committee of experts and the macroeconomic assumptions considered when preparing the Budget Law.

It should be noted, also, that the Fiscal Autonomous Council has suggested to make improvements to the methodological calculation, in order to avoid prolonged deficits that could erode debt and fiscal sustainability.

On the Committees of Experts.

On July 18, the Ministry of Finance and the Budget Office informed the composition of the Committees of Experts, both for the calculation of the trend GDP as well as for the long term copper price.

Both Committees will meet on July 25. The adjustment to the trend GDP will be informed during the meeting.