

Chile | Although fiscal deficit closed at 2.2% in 2015, room for maneuver will narrow

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Due to positive surprises in non-cyclical revenues (related to one-timers in both tax reform and anti-trust fines) effective fiscal deficit reaches a 2.2% of GDP in 2015. During last year, government real expenditures increased by 7.4%, a figure that lies behind the slowdown in the fiscal support to aggregate activity during 4T15. In this regard, although overall fiscal budget was over-executed at 101.1%, government investment was under-executed mainly in areas such as health and education programs. Additionally, real revenues increased by 5.2% in 2015 mainly due to higher efforts in non-mining tax-payers. Finally, structural balance reaches a deficit at 0.3% of GDP, but if non-recurrent incomes were taken-out from the balance, the figure changes to a deficit at 0.6% of GDP. In this context, structural figures should be read carefully given that parameters that drive structural revenues of the government (both tendency cooper prices and GDP growth) will be corrected downwards in the most probable fiscal scenario.