

Productivity: a key element

Rodrigo Valdés
Minister of Finance of Chile



Agenda

Macroeconomic adjustment

Fiscal policy

Productivity and structural reforms

Closing remarks



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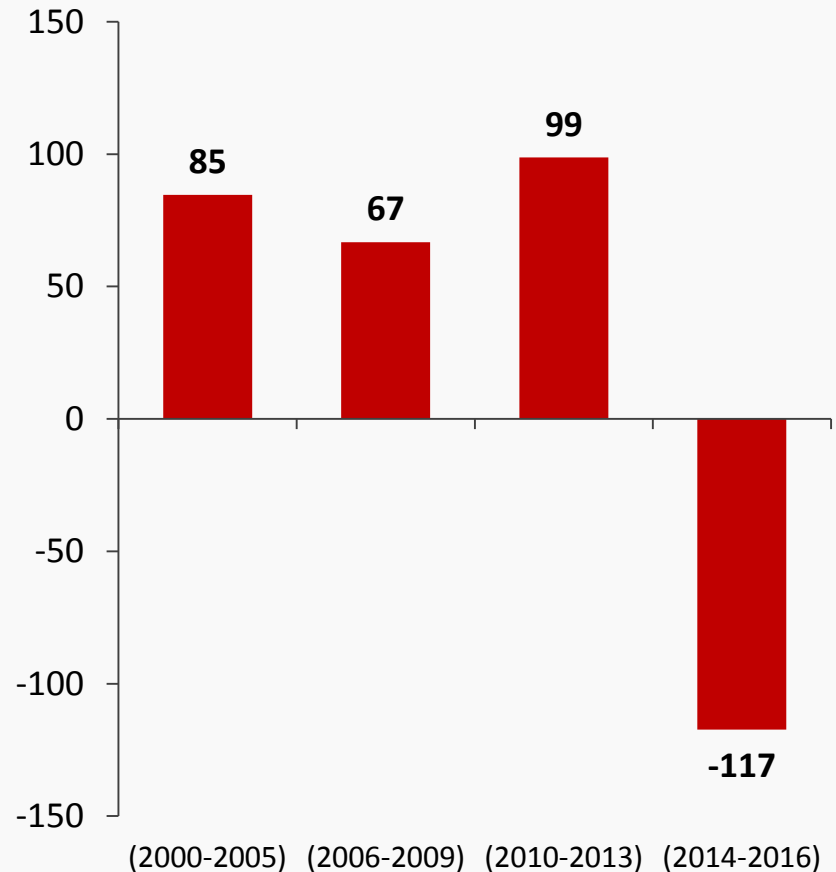


Copper price

Copper price
(USD cent/lb.)



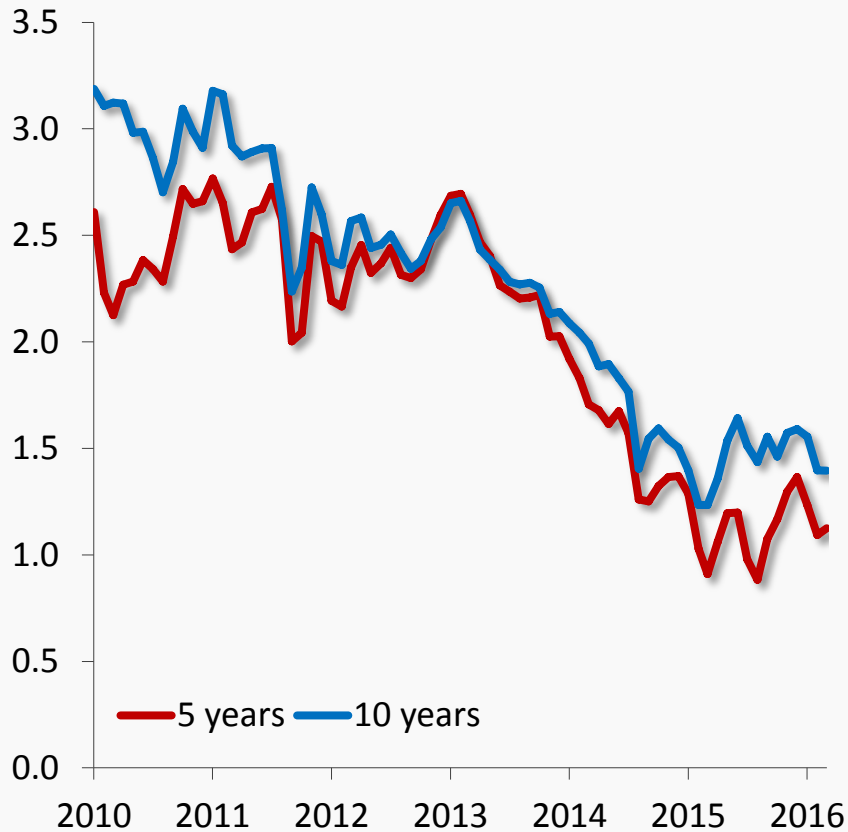
Copper price adjustments
(USD cent/lb.)



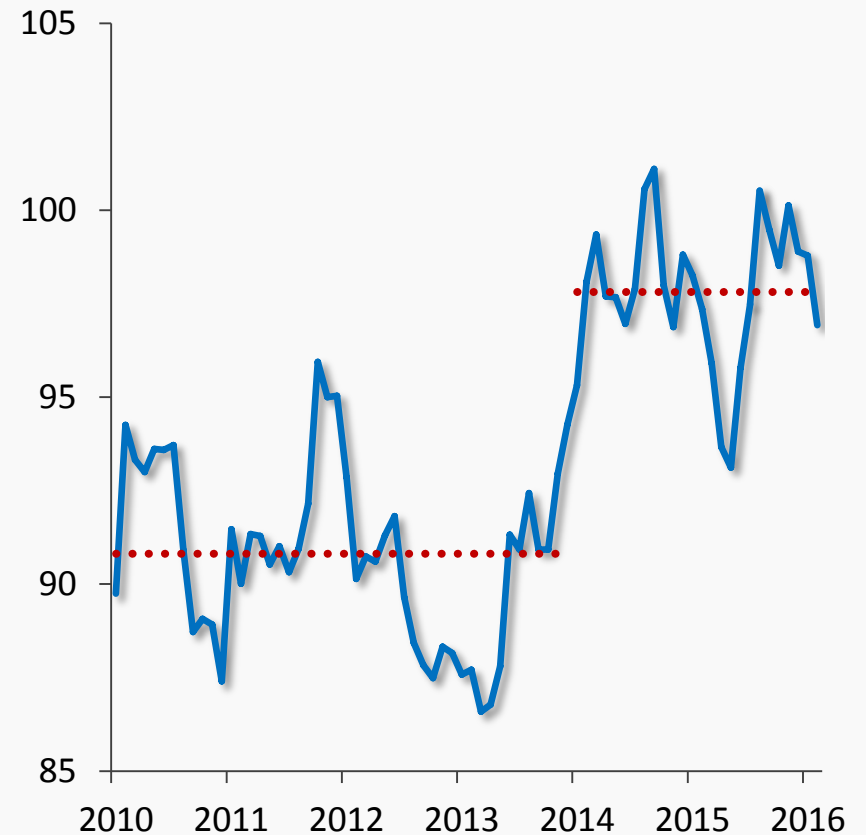


Key macro variables

Real interest rates
(%, UF bonds)



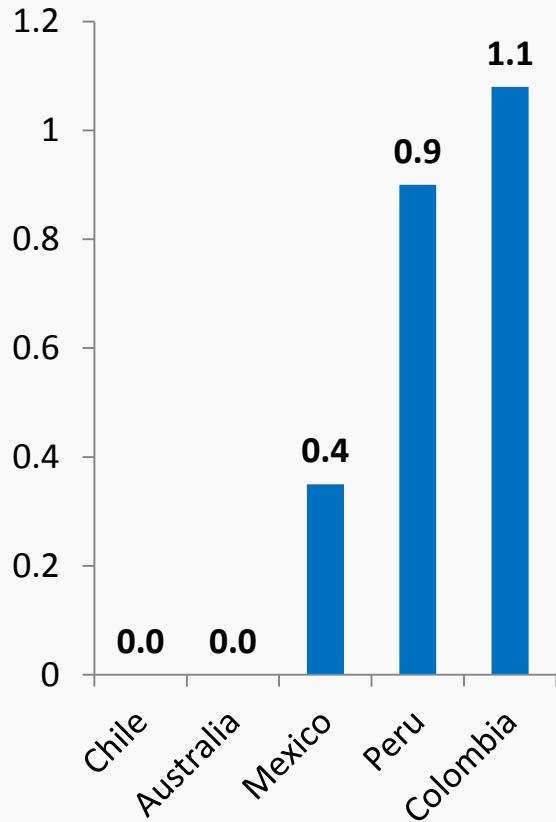
Real exchange rate
(Index 1986=100)



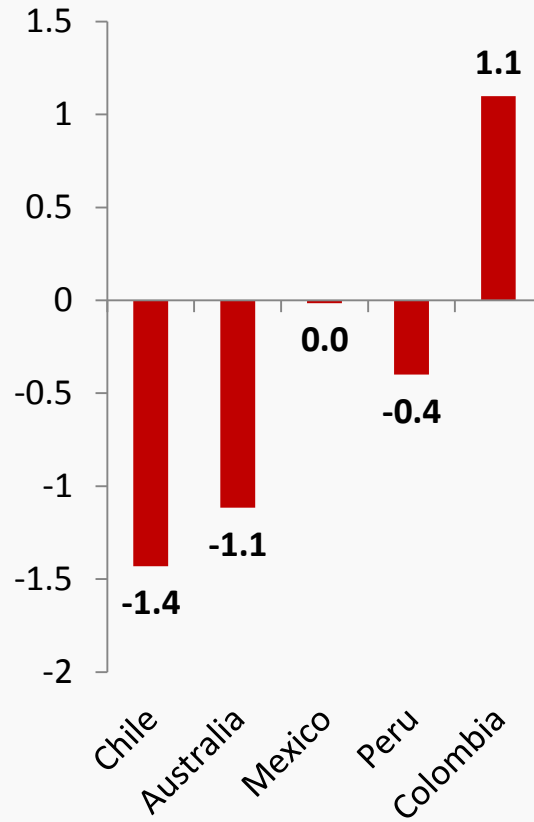


Financial variables

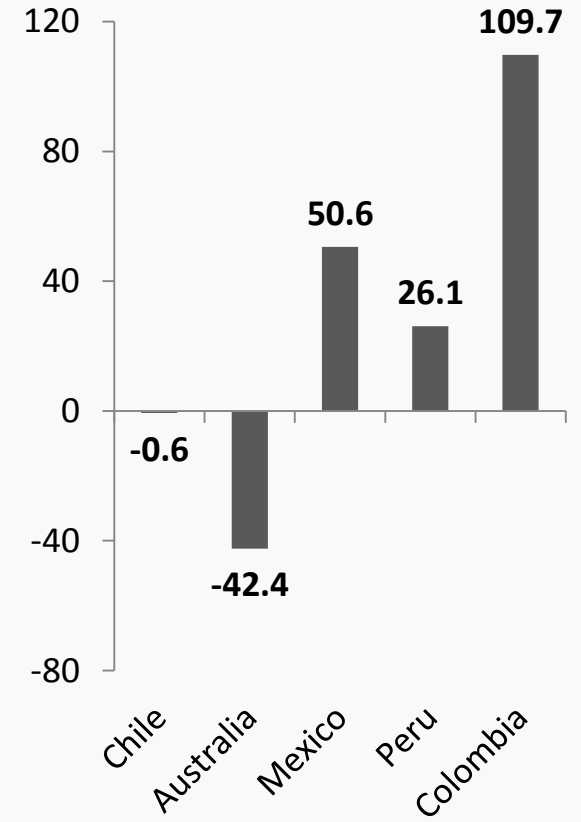
Inflation expectations (*)
(%)



Long term-interest rates
(%, Δ 2012-2016)



CDS
(Basis points, Δ 2012-2016)

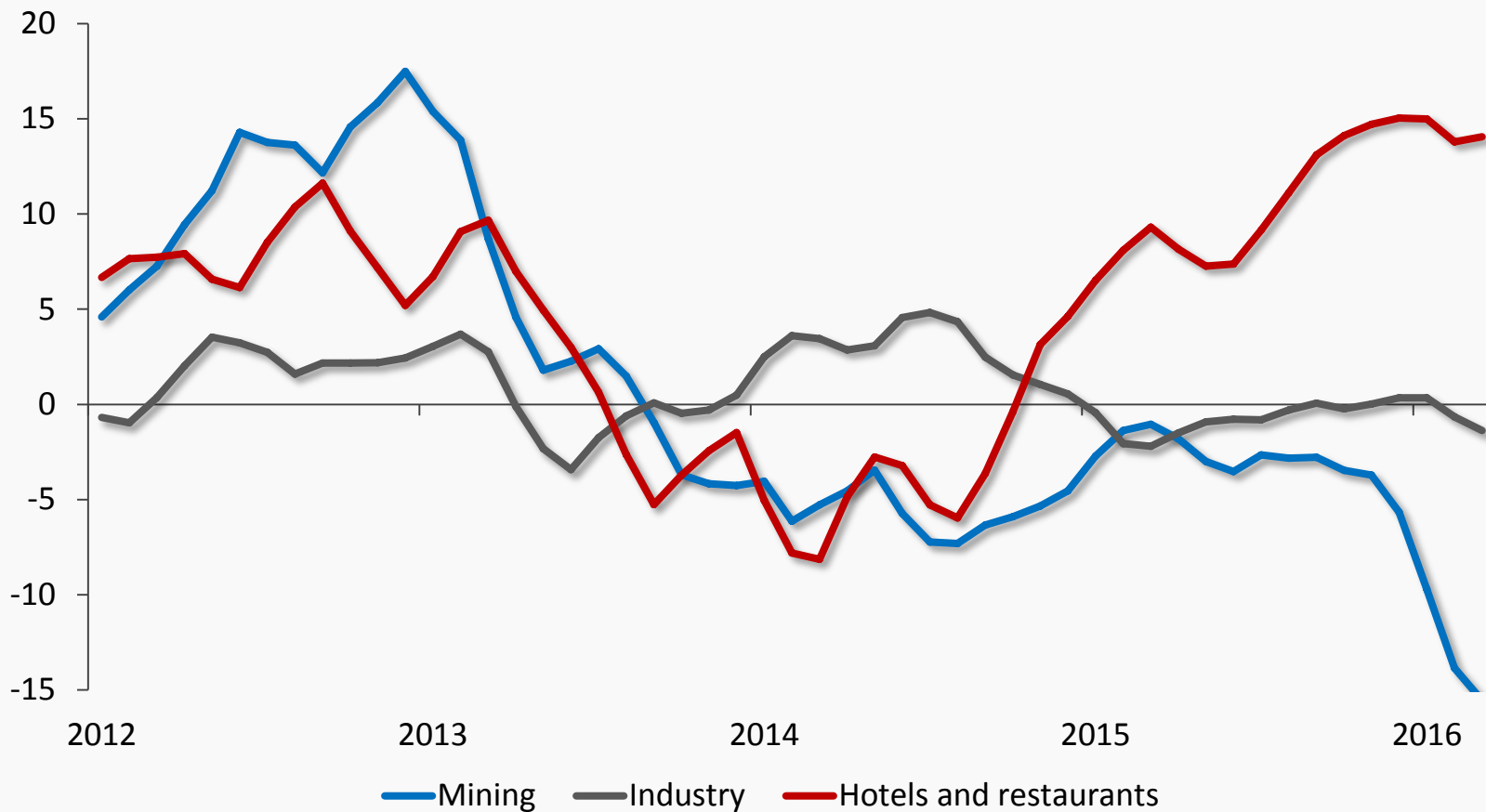


(*) Two-year ahead inflation expectations minus inflation target
Source: Bloomberg and Central Bank of Chile



Employment adjustment

Employment by sectors
(YoY, 12-month trailing, %)

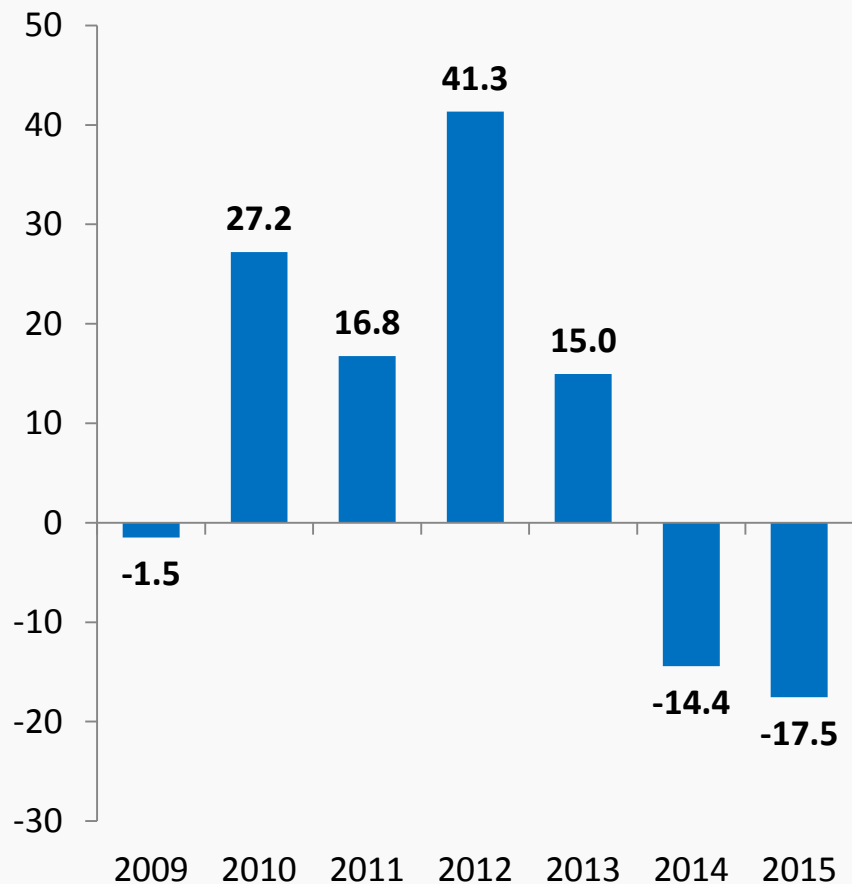


Source: INE

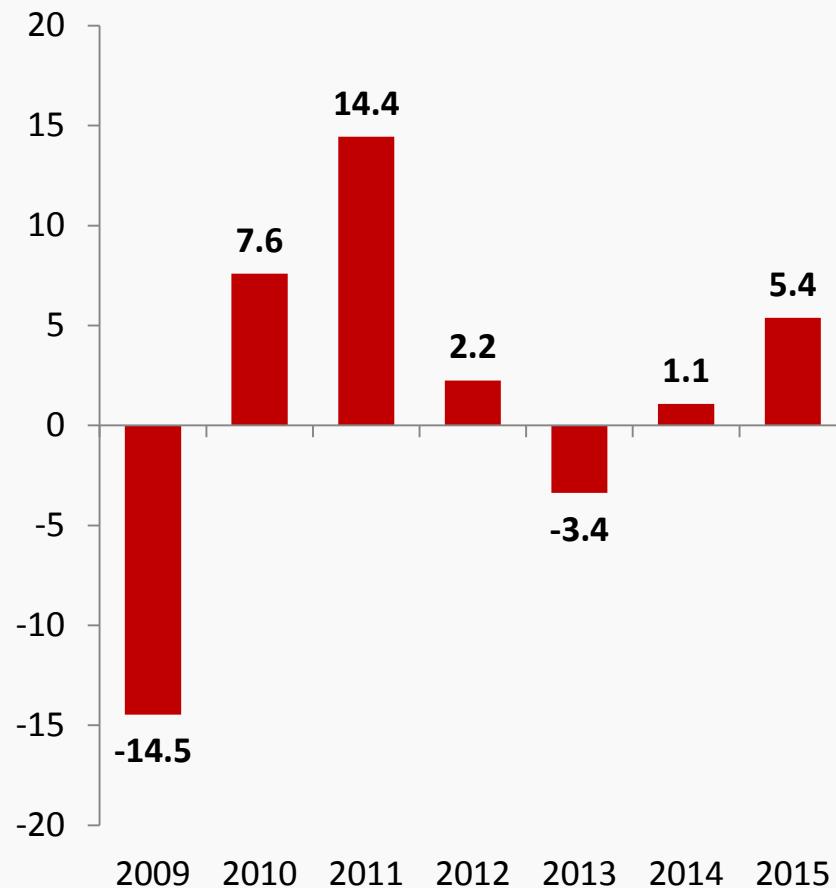


Gross fixed capital formation

Mining
(YoY, %)



Non-mining
(YoY, %)



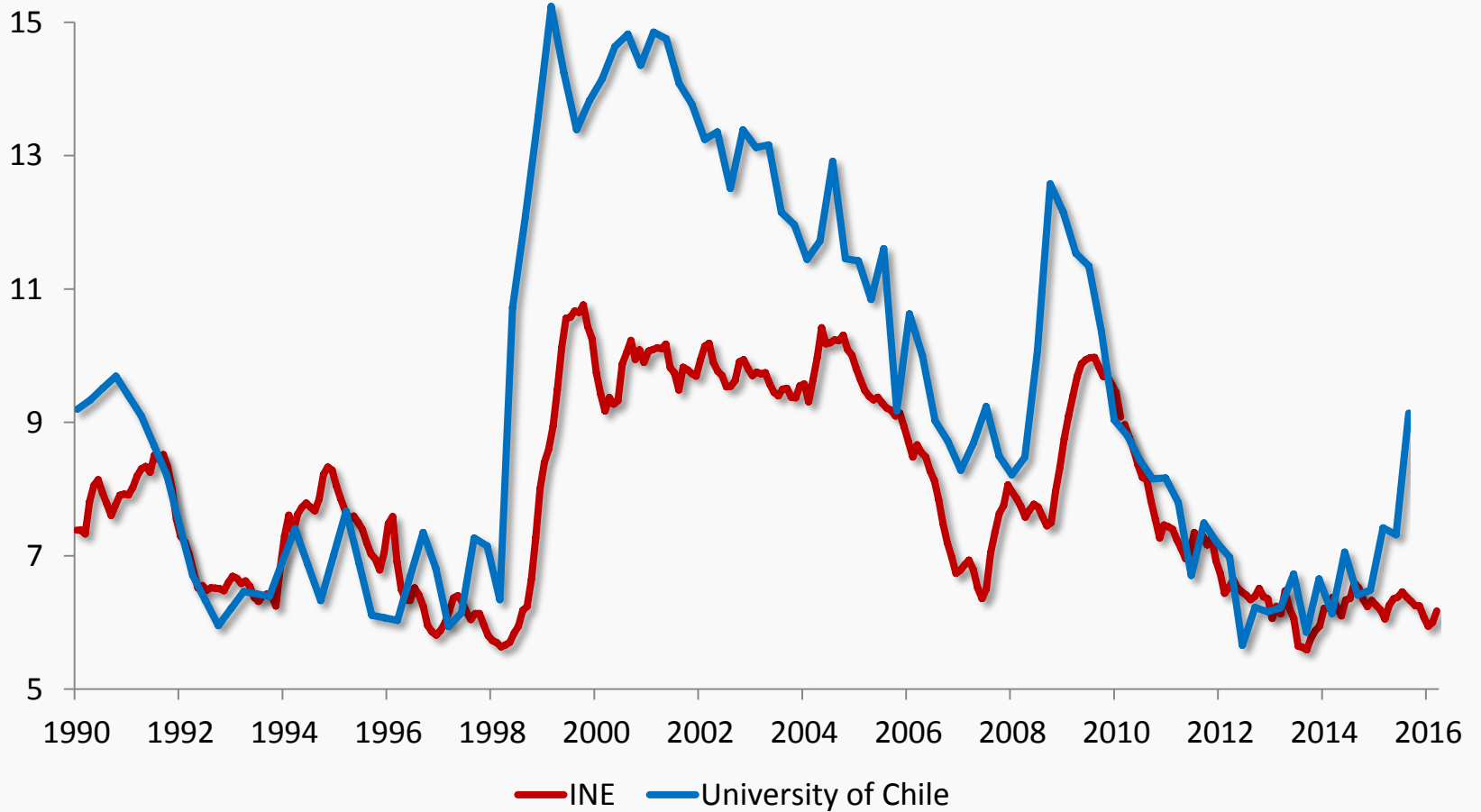
Source: Central Bank of Chile.



Unemployment

Unemployment rate

(%)



Source: INE, University of Chile



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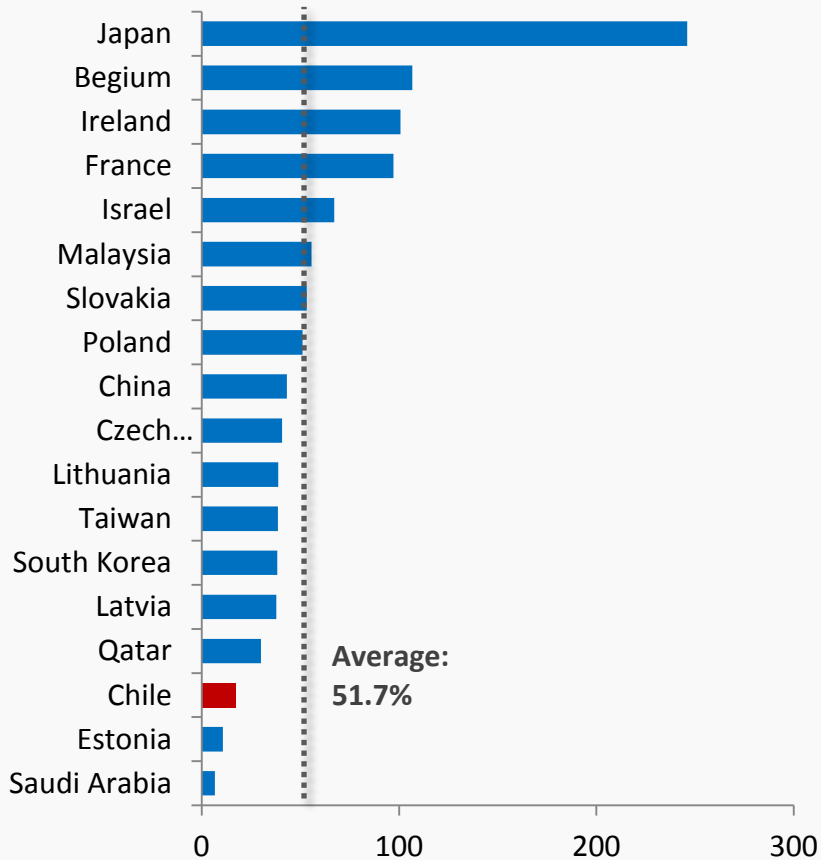
Productivity and structural reforms

Closing remarks

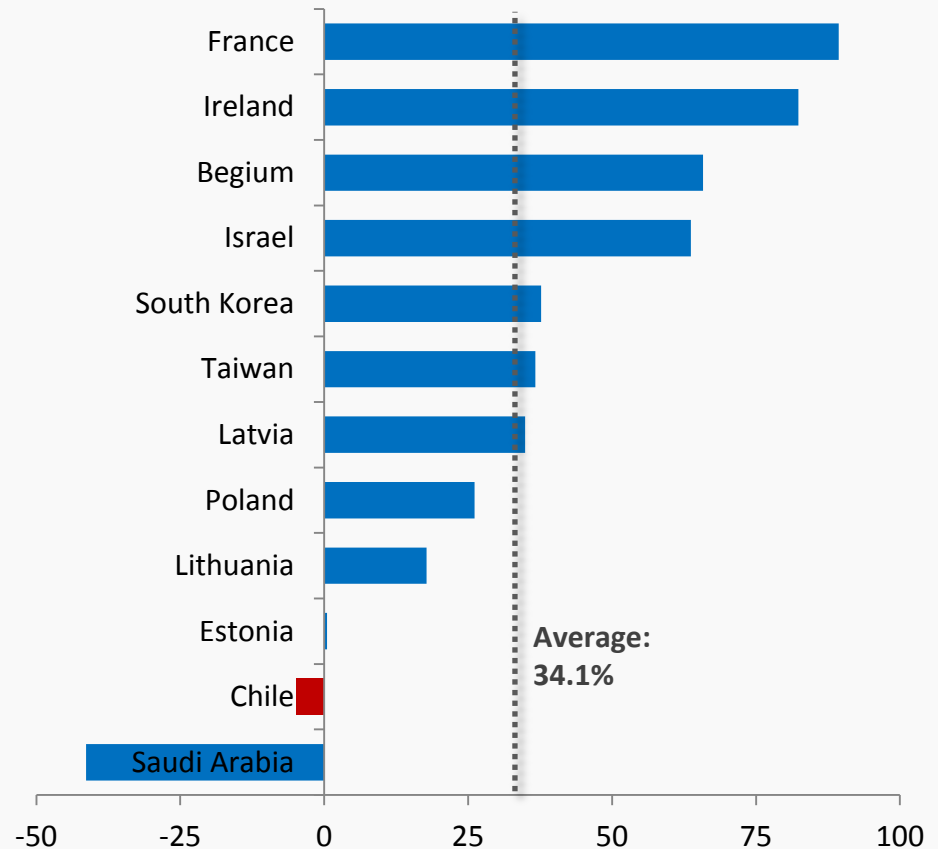


Debt in countries with similar credit risk

Gross debt
(%, 2015)



Net debt
(%, 2015)



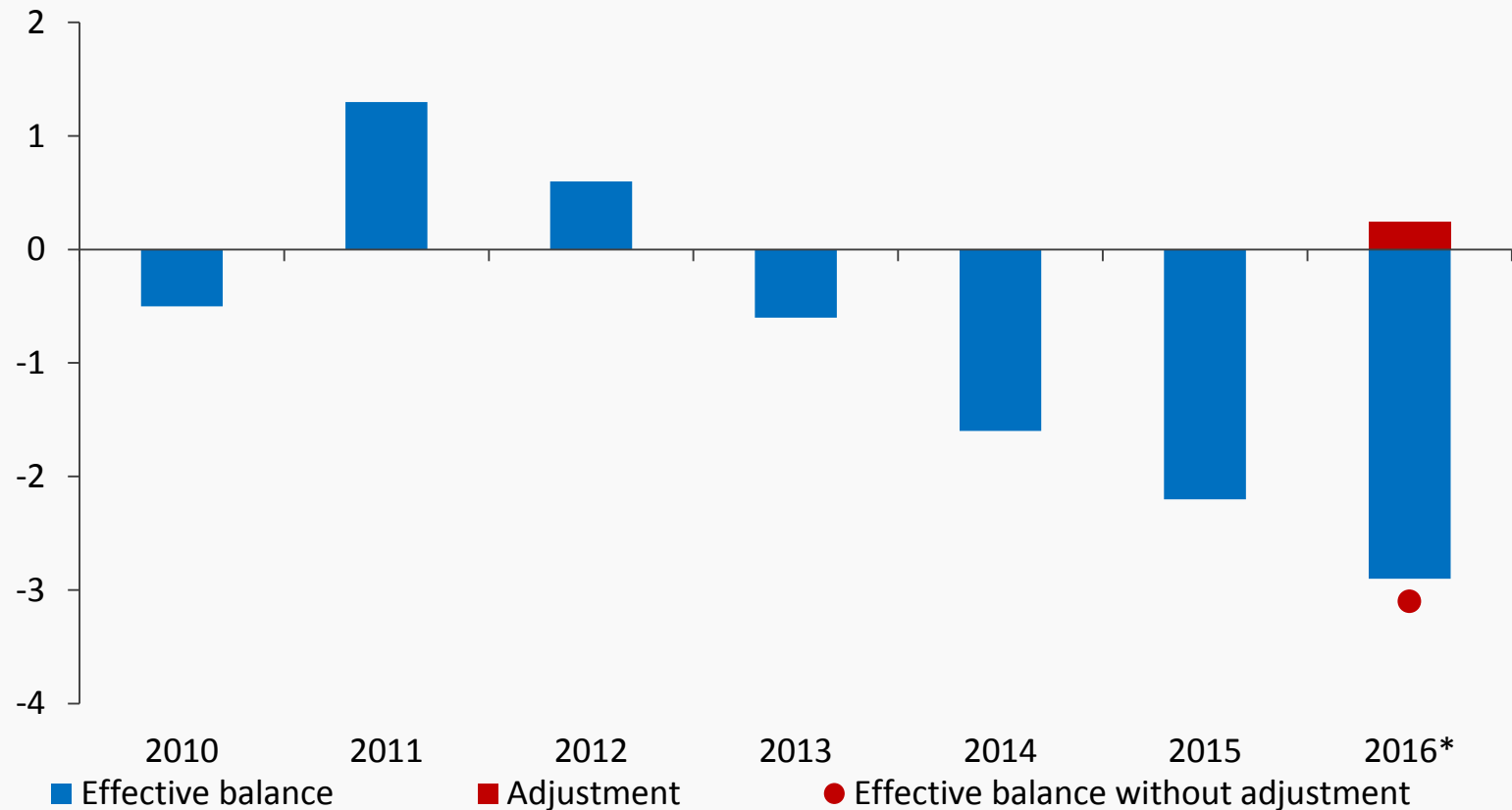
Note: Countries with credit risk between A- y AA.

Source: S&P, Moody's, Fitch. FMI, World Economic Outlook (WEO), October 2015.



Chile's central government balance

Government balance (% of GDP)



(*) Forecast

Source: Ministry of Finance, Budget Office



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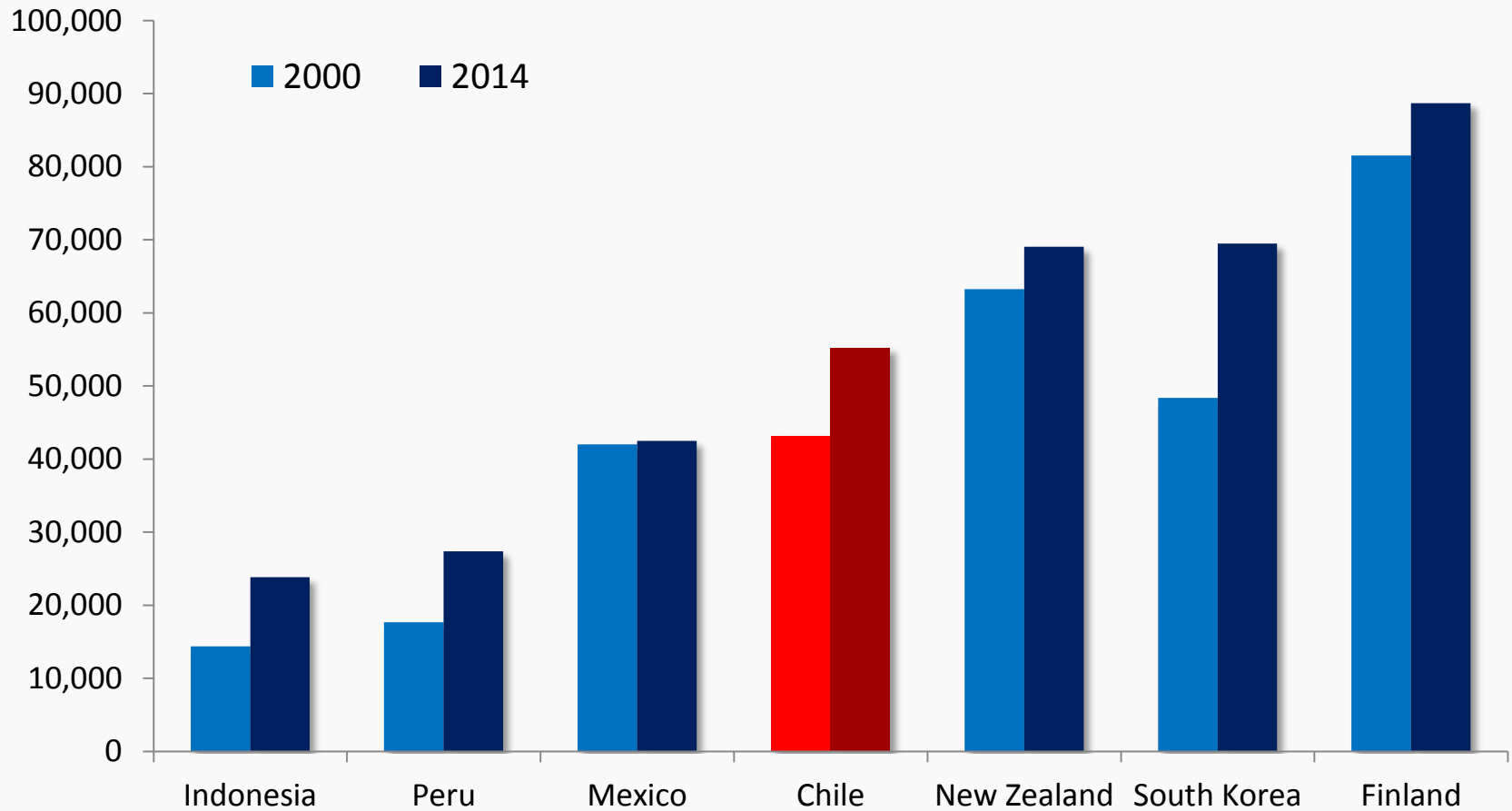
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Labor productivity

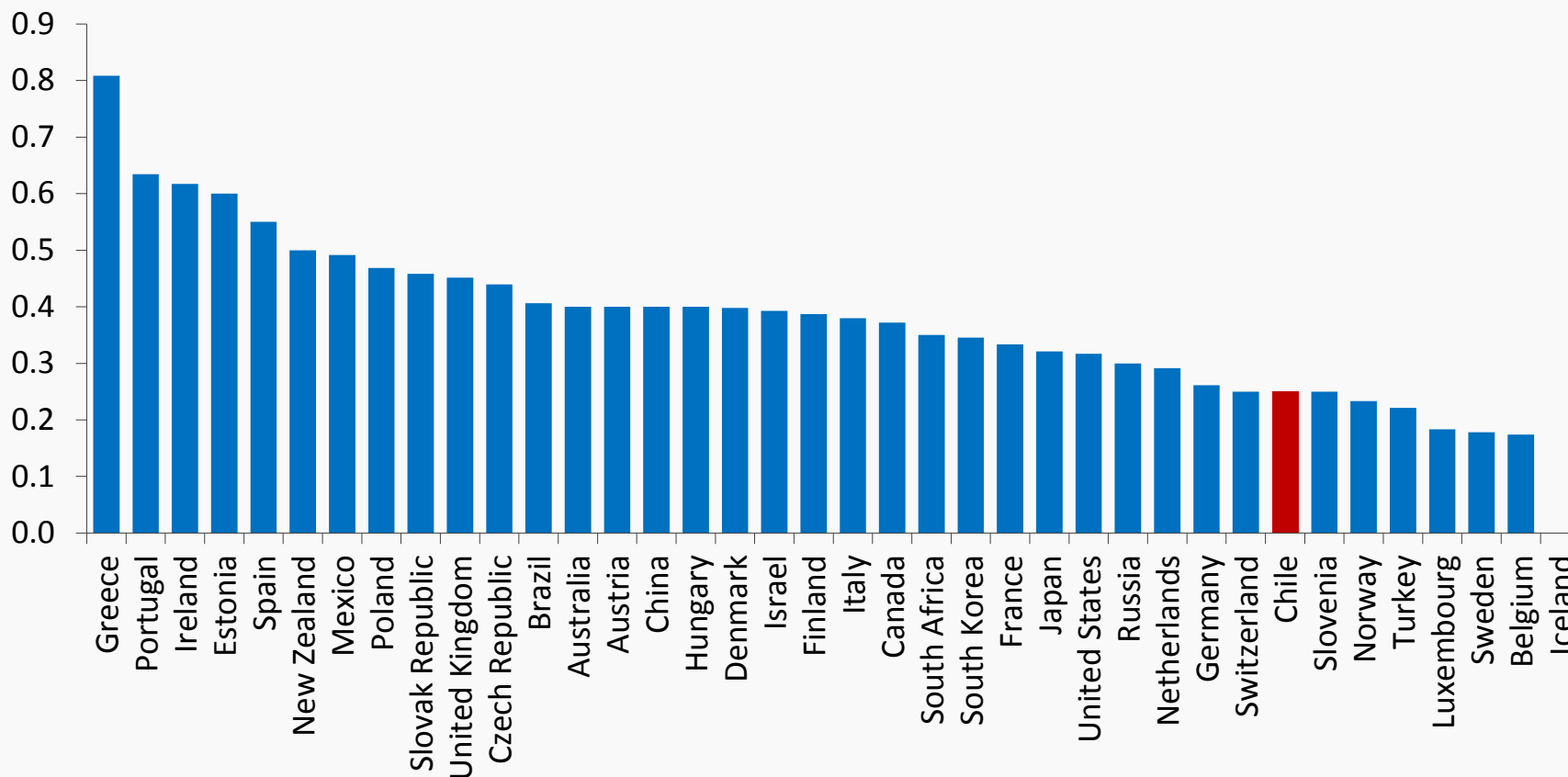
Average labor productivity
(USD 2014, PPP)





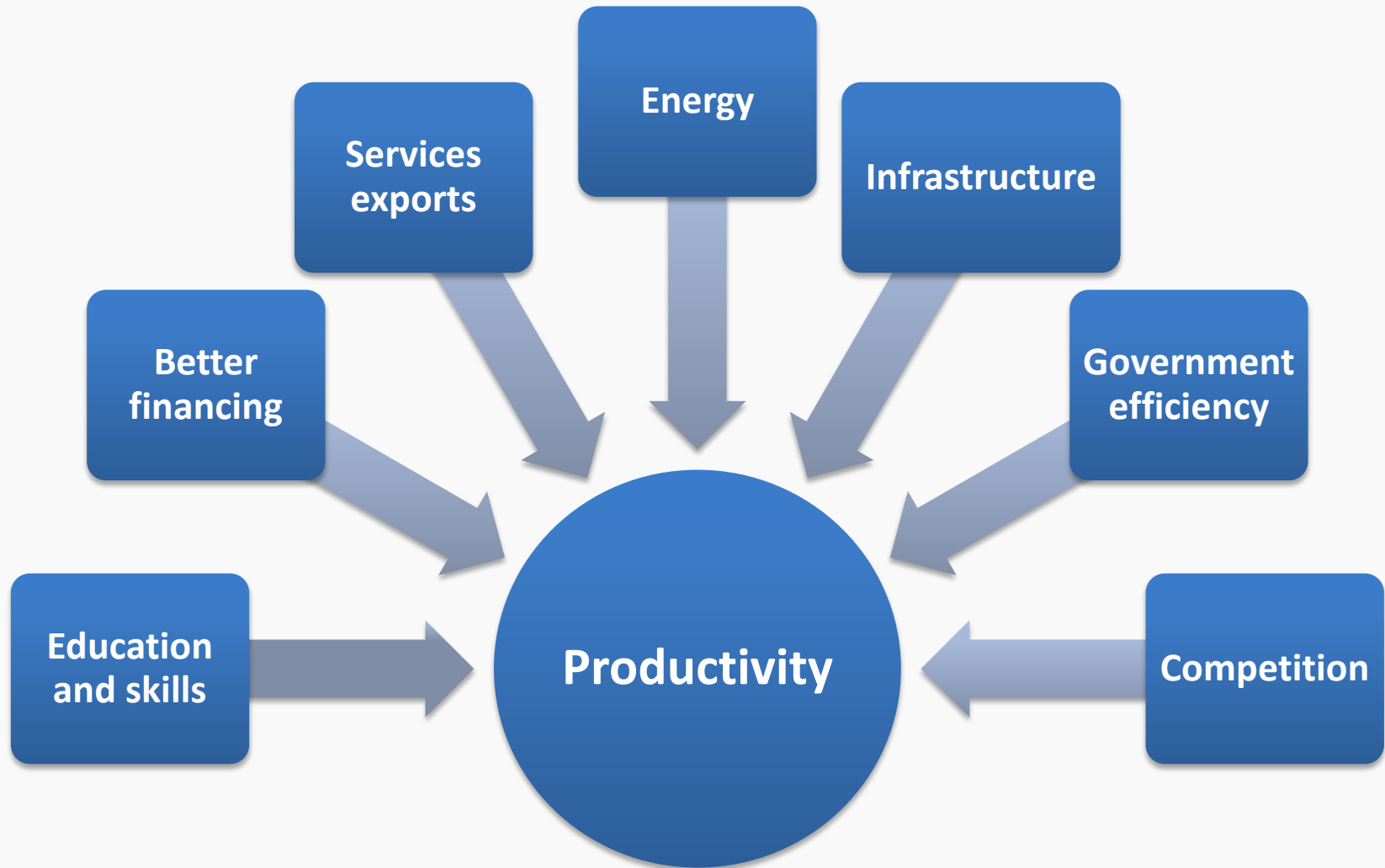
Progress in Structural Reforms 2011-2014

OCDE Reform Responsiveness Indicator



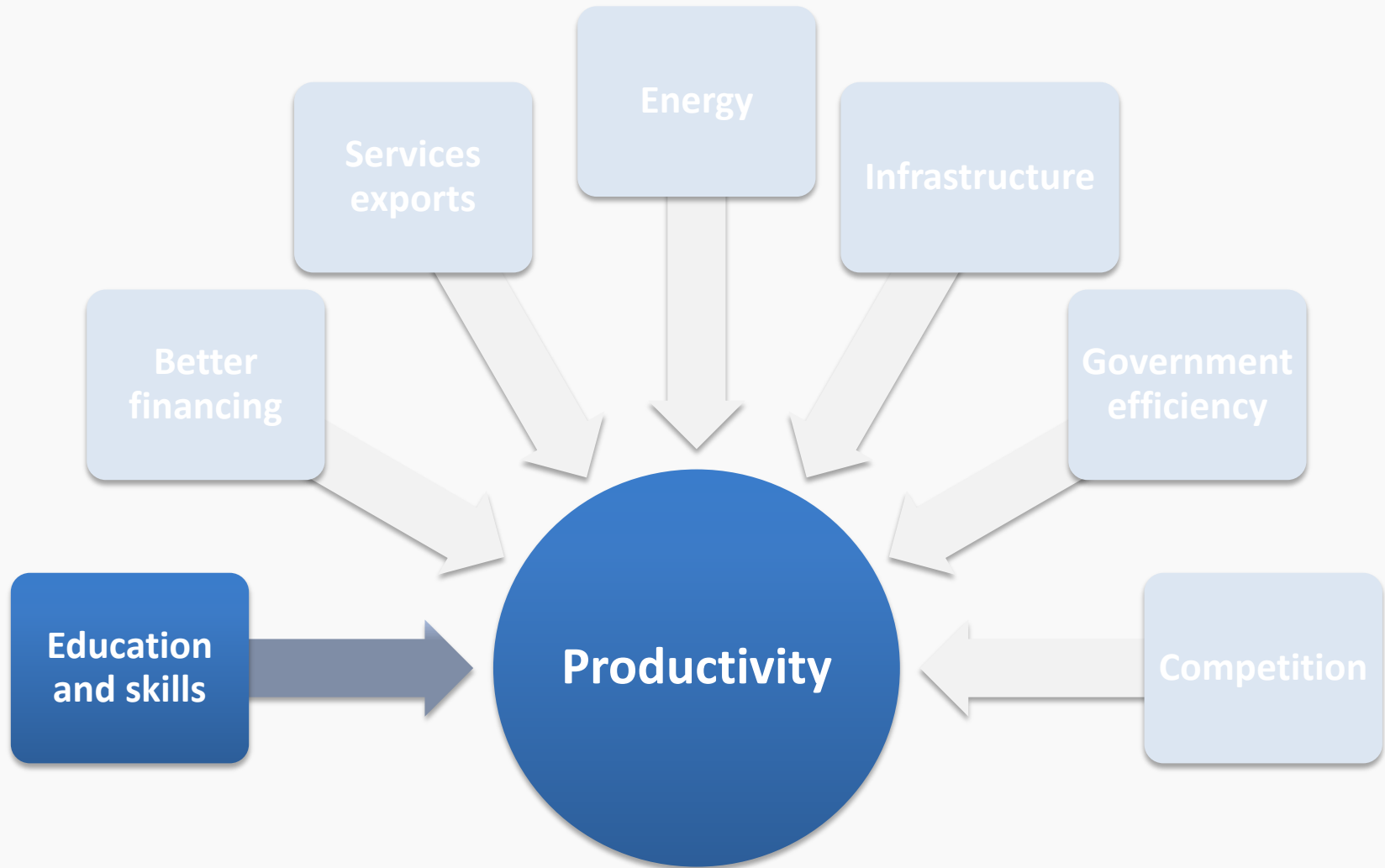


Boosting Productivity





Boosting Productivity

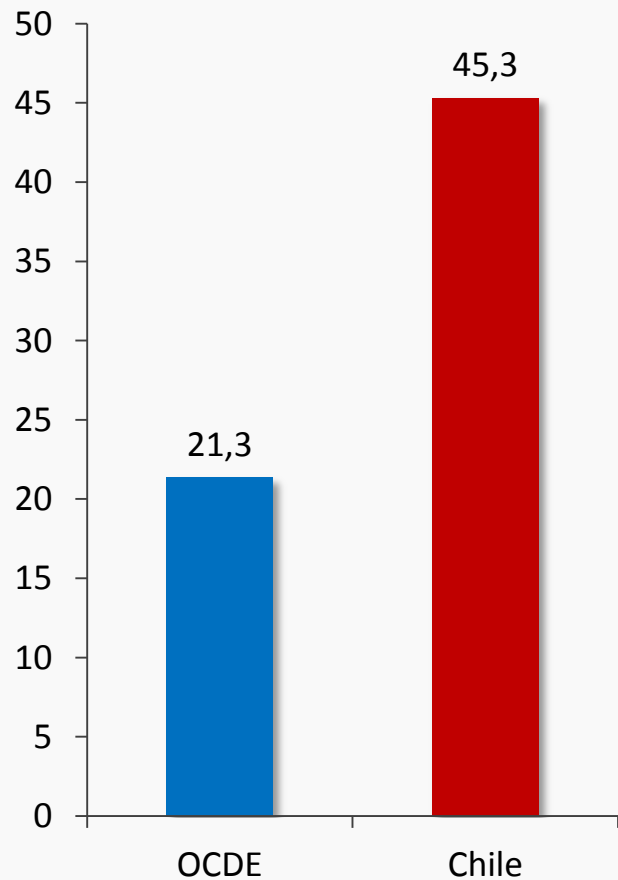




Education

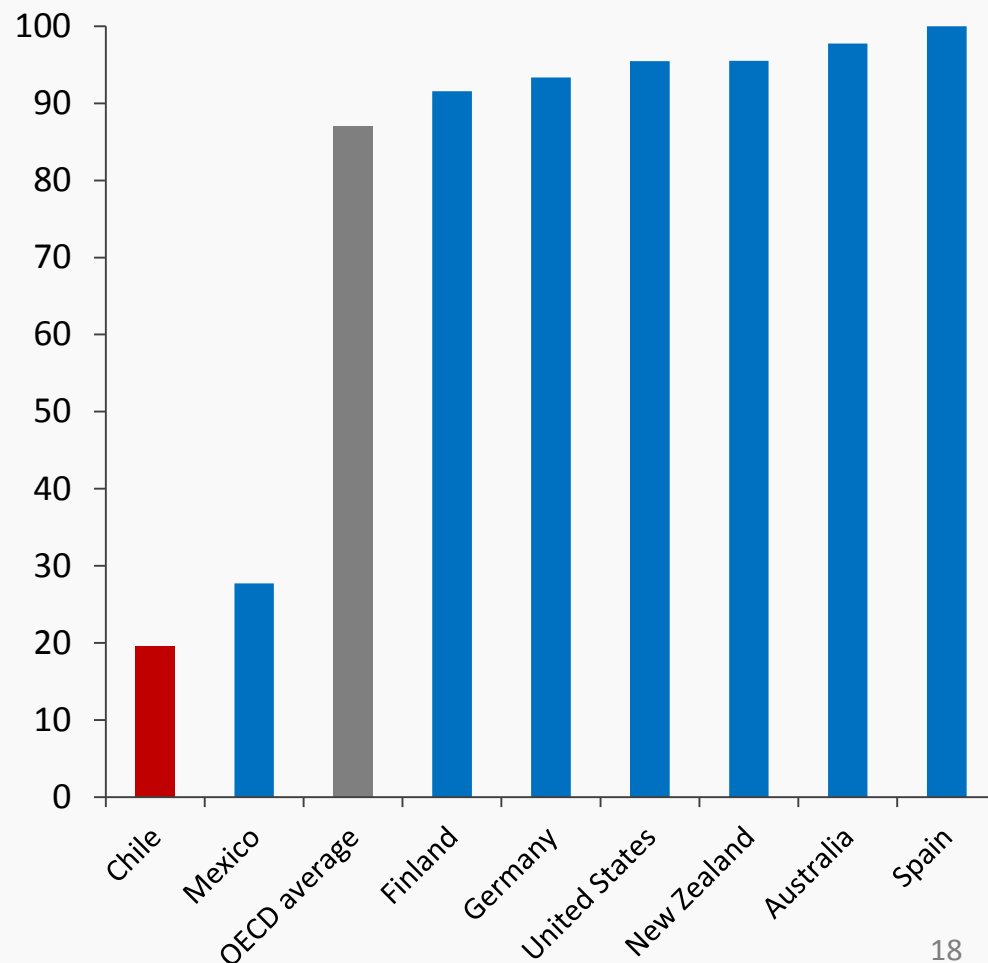
Students lacking basic skills

(%)



Certified teachers

(%)





Educational Reform Investment

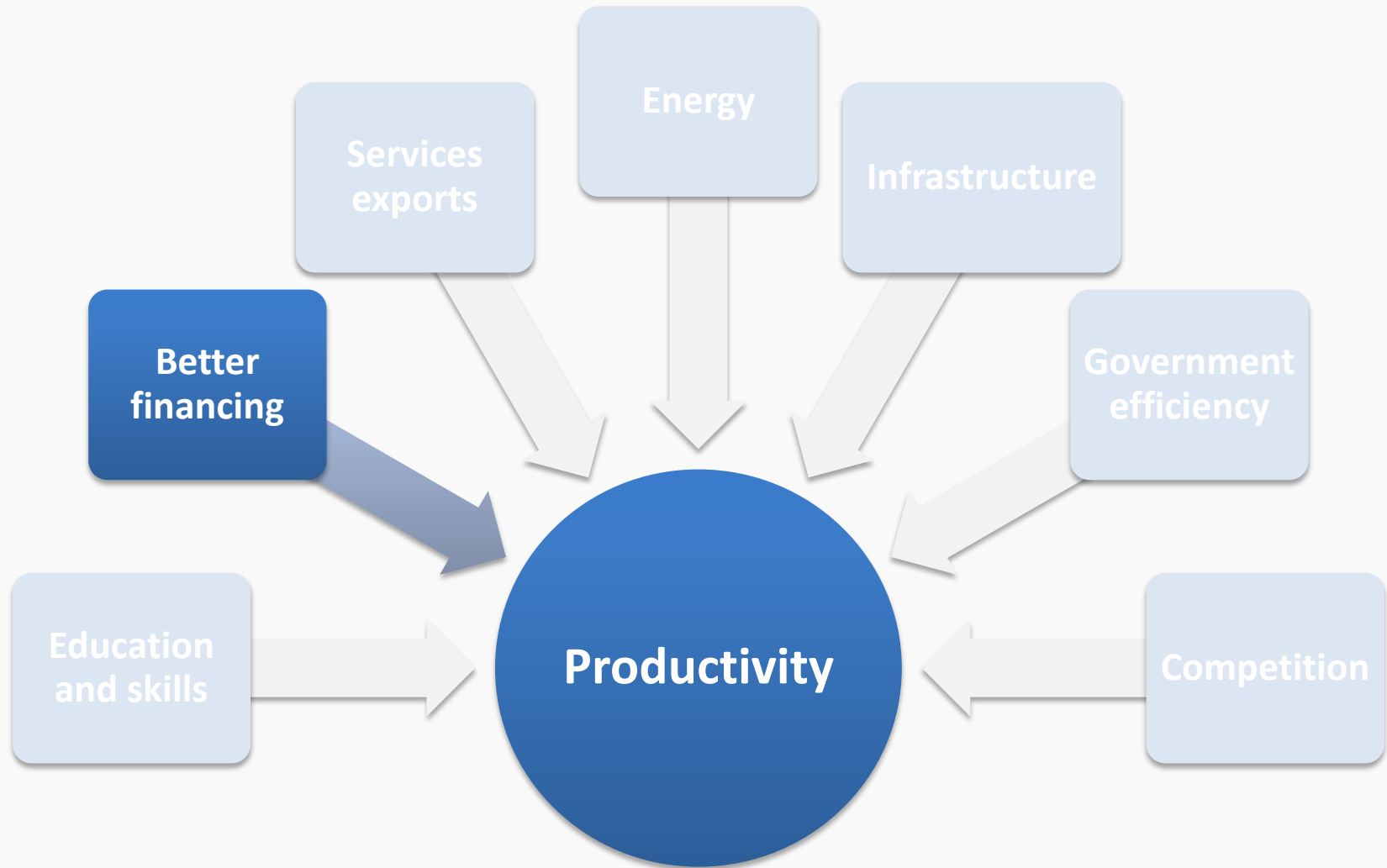
Cost of reforms (% of GDP)

| Reform | 2016 | 2025 |
|---------------------------------|------|-------|
| Pre-School education | 0,13 | 0,23* |
| Primary and secondary education | 0,33 | 0,56 |
| Terciary education | 0,13 | TBA |
| Teachers Career | 0,11 | 0,77* |

(*) Estimation; Conditional on triggers.
Source: Budget Office



Boosting Productivity



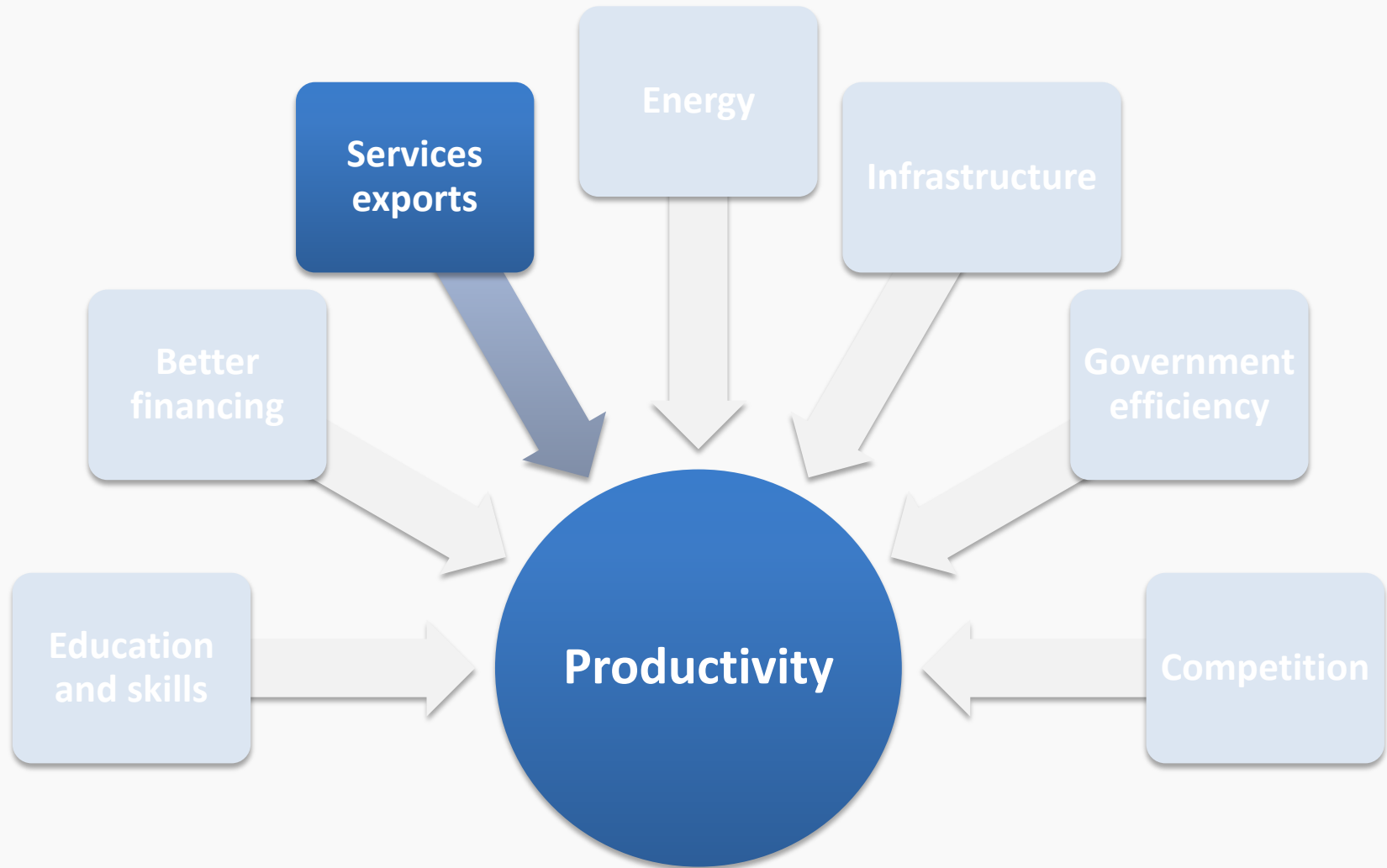


Better Financing

- ❖ New investment opportunities for pension funds and insurance companies
- ❖ Improved access to financial information
- ❖ New financing programs by CORFO



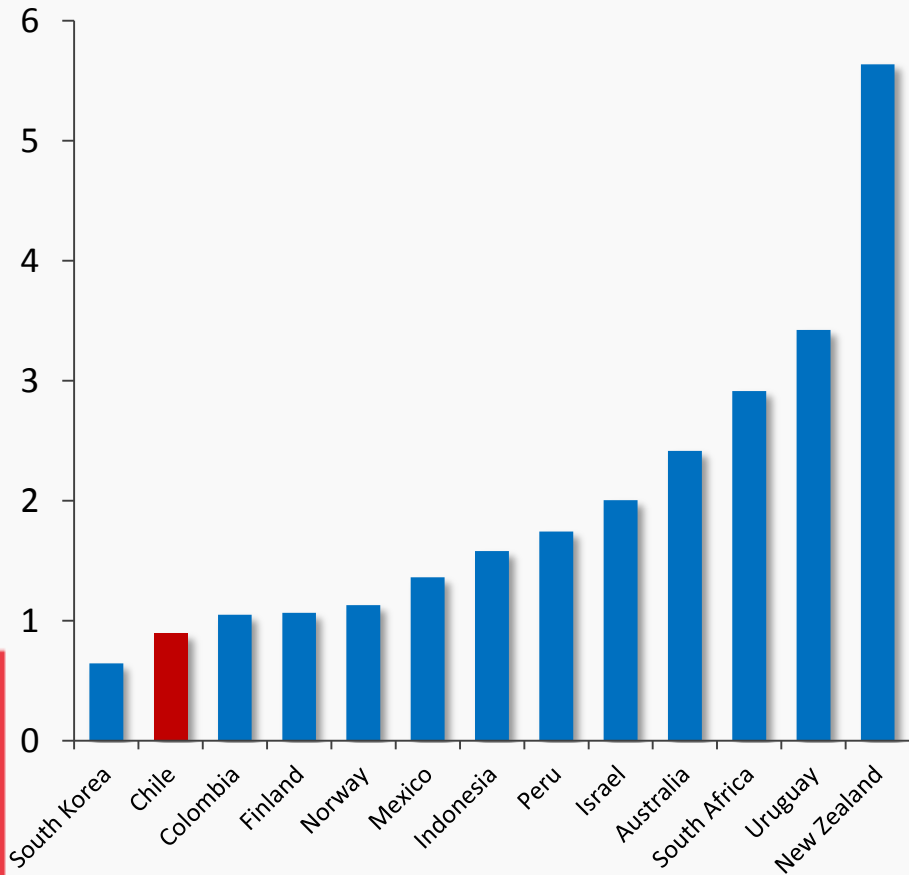
Boosting Productivity



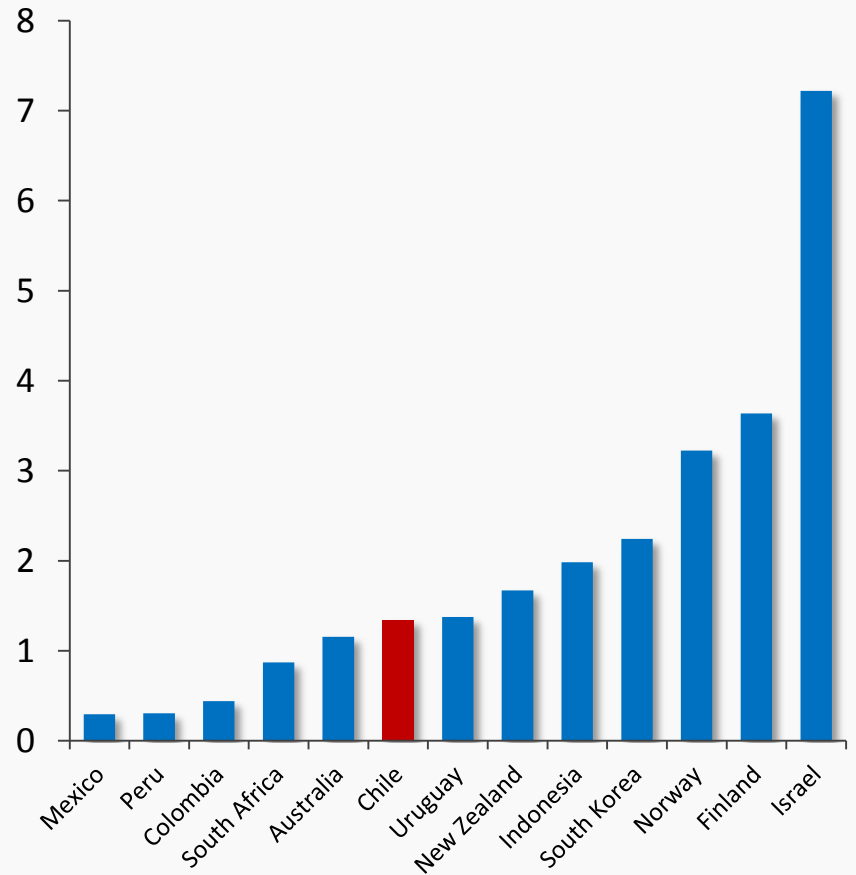


Service Exports

Tourism and personal services
(%)



Other services*
(%)



(*) Without Transport
Source: WDI

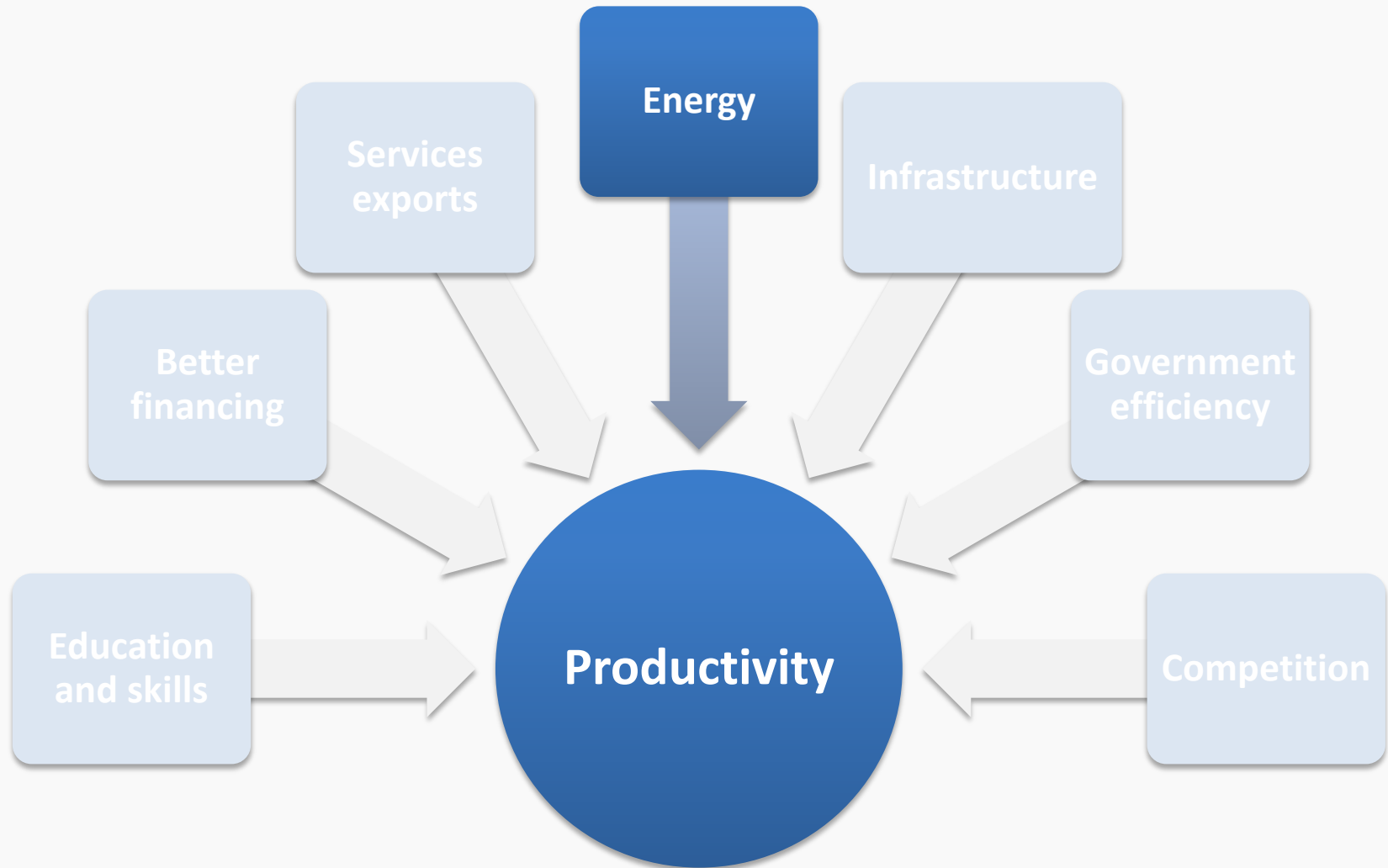


Services Exports Agenda

- ❖ Equalizing tax treatment to goods exports
- ❖ Standarizing and harmonizing procedures
- ❖ Better information



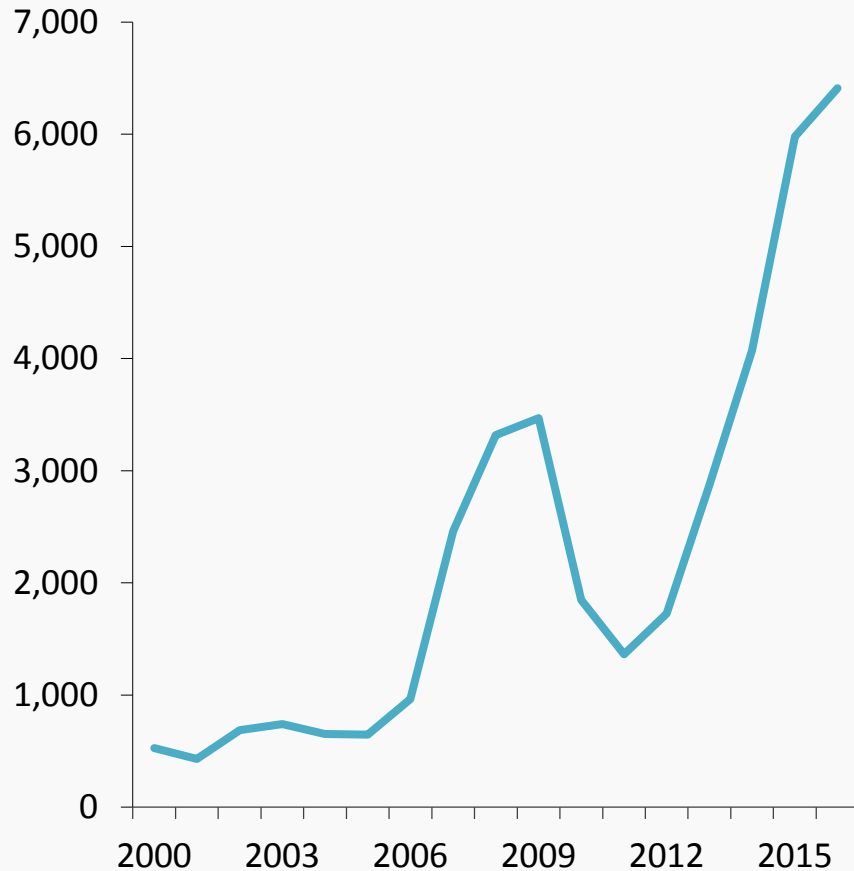
Boosting Productivity



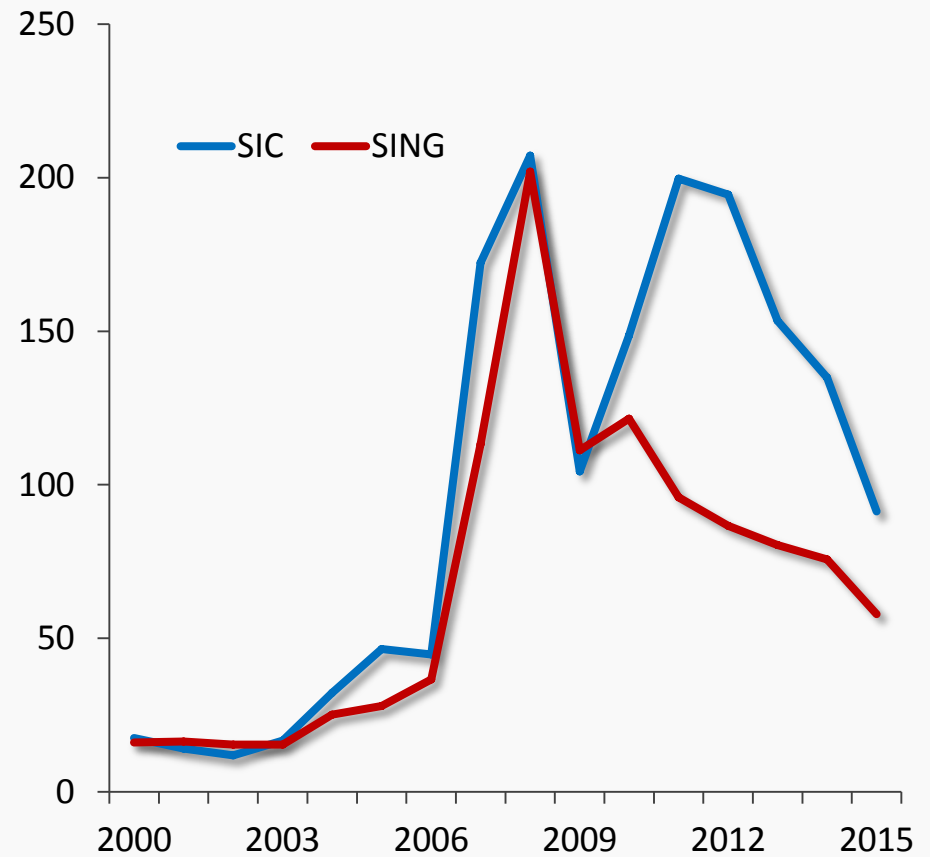


Energy Agenda

Energy investment
(Millions USD)



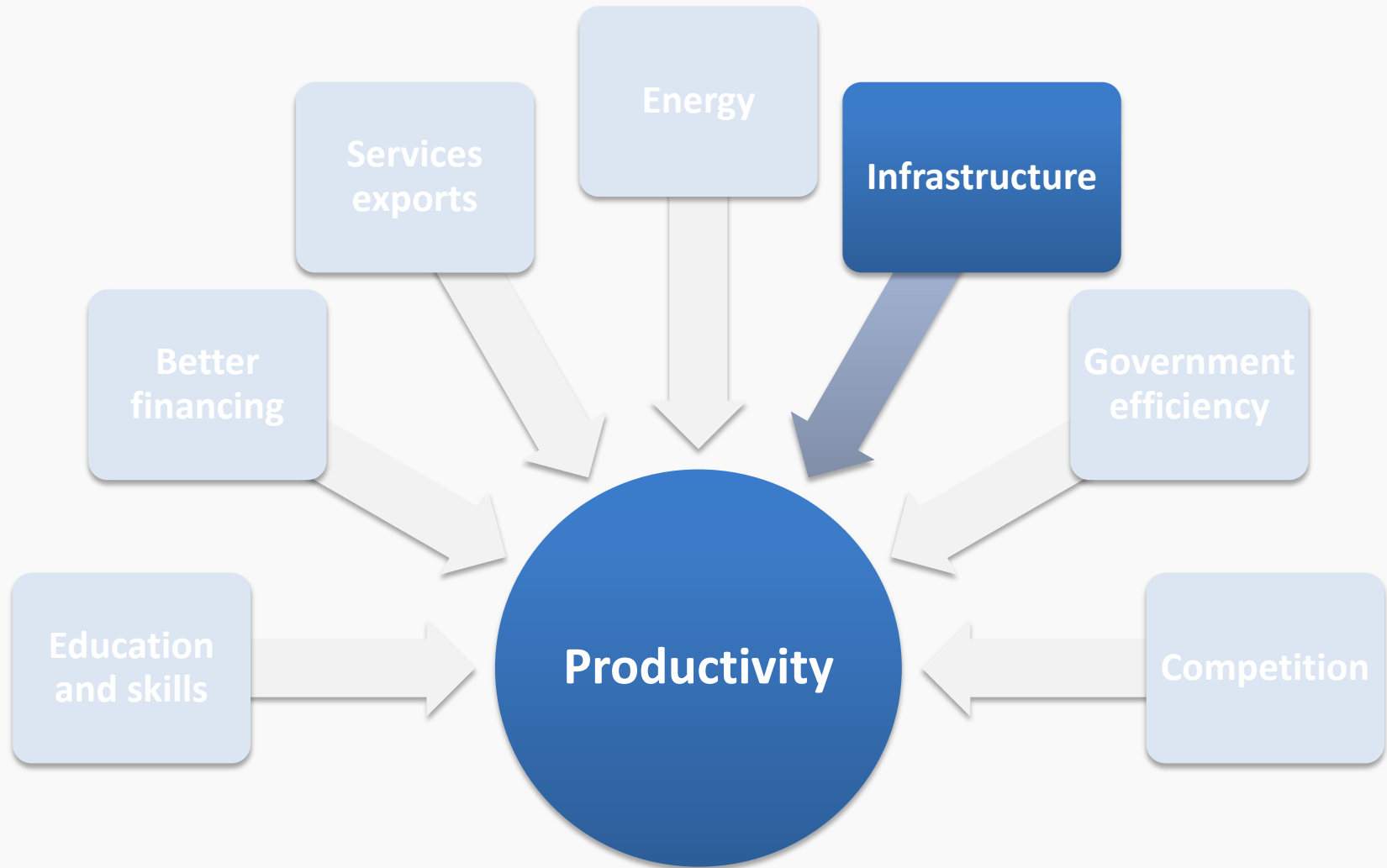
Marginal cost of electricity
(US\$/MWh)



Source: Corporación Bienes de Capital (CBC), March 2016, and CDEC SIC-SING.



Boosting Productivity

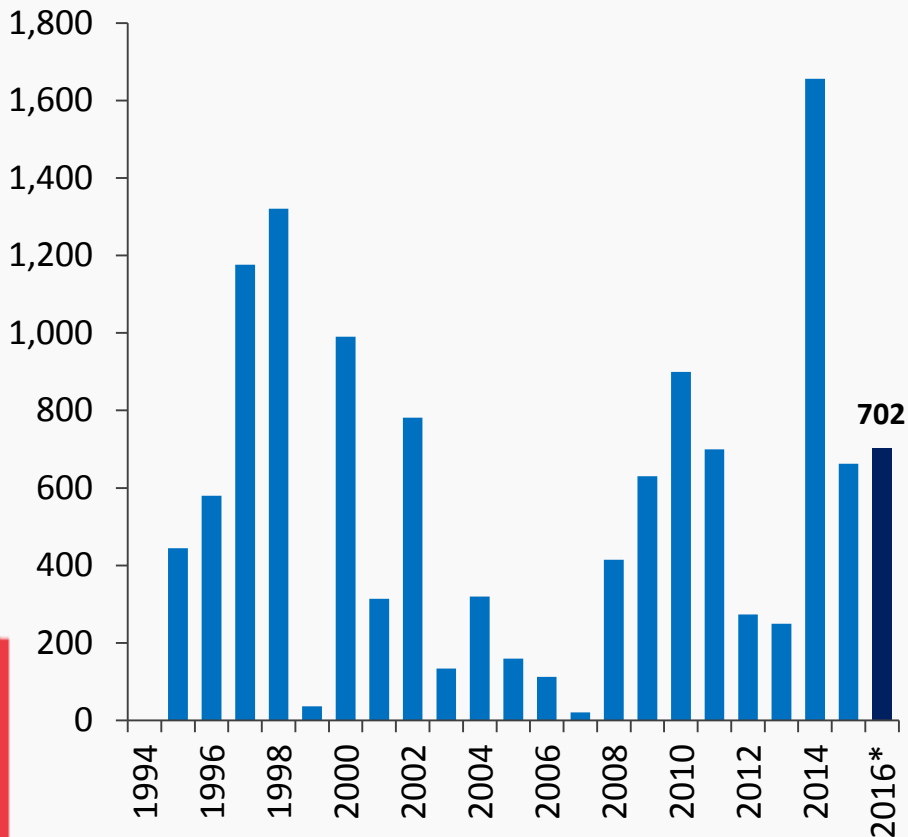




Infrastructure Investment

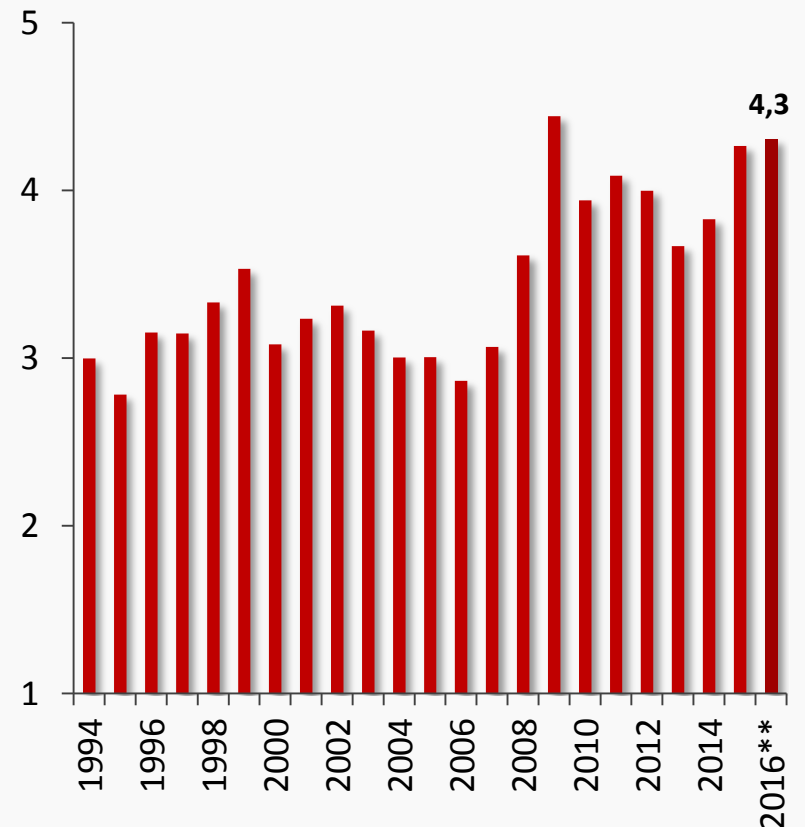
Investment in concessions

(Millions of USD granted per year)



Public investment

(% of GDP)



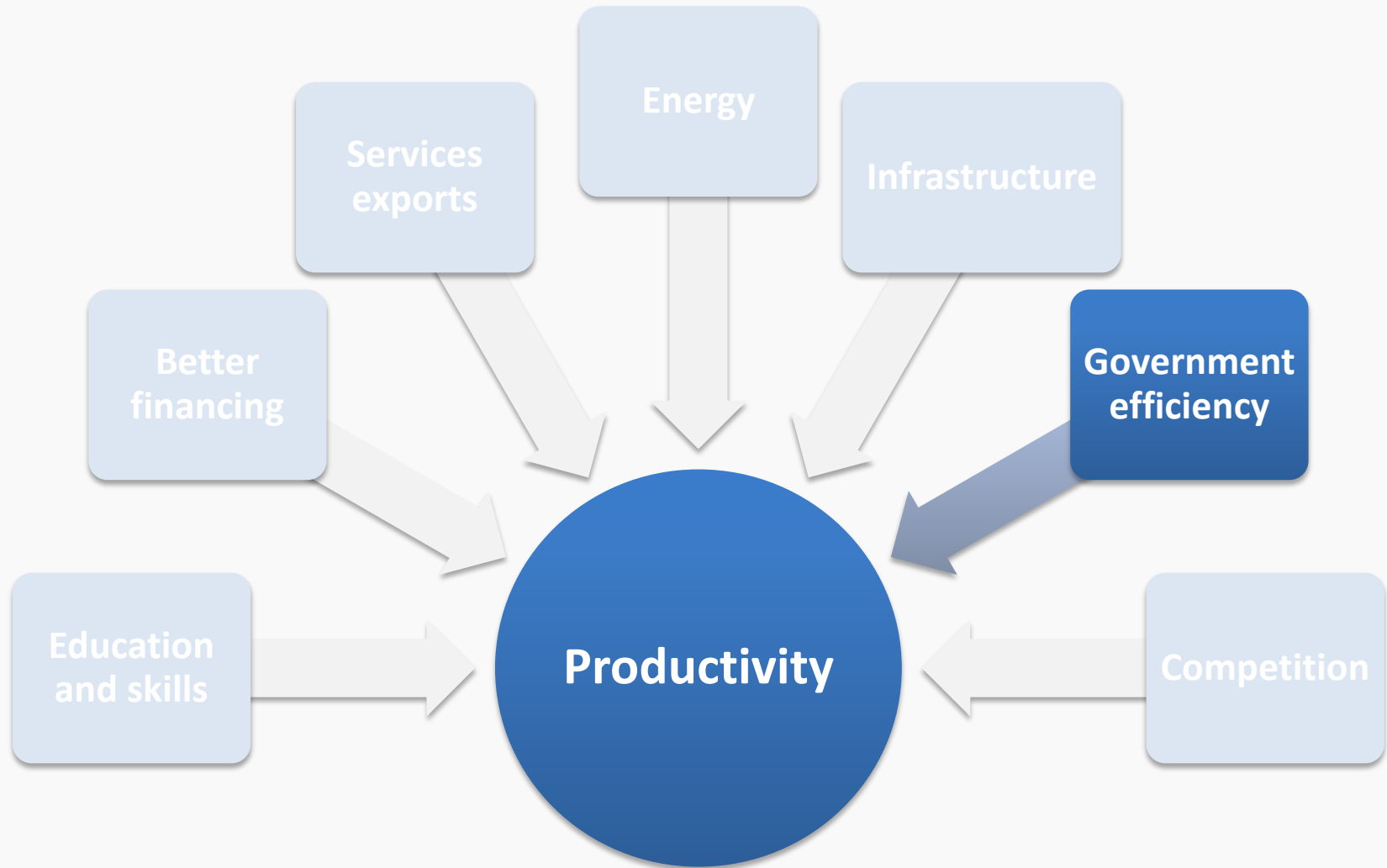
(*) Granted until April

(**) Forecast

Source: Budget Office



Boosting Productivity



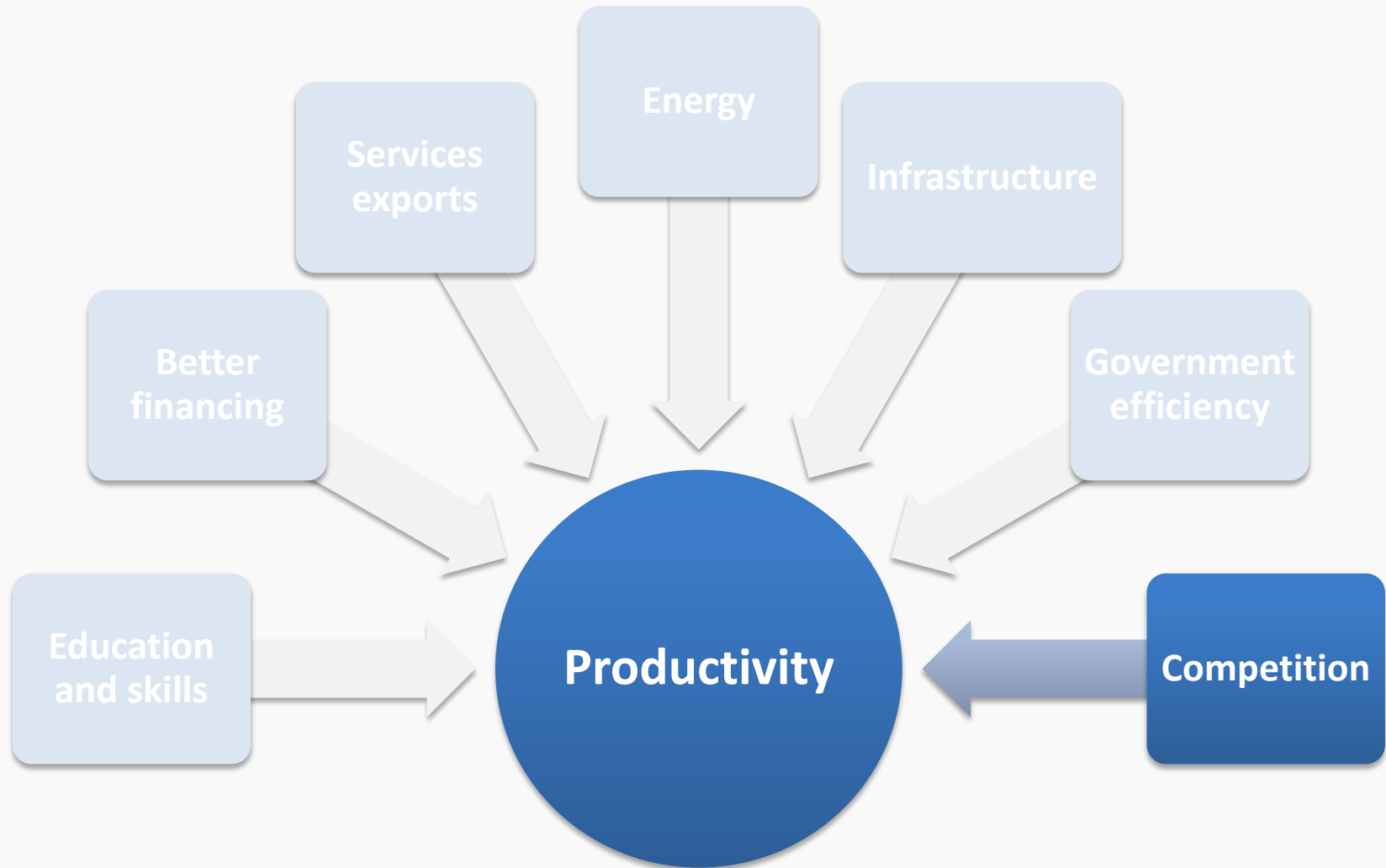


Government efficiency

- ❖ Single window for procedures
- ❖ Modernization of notaries
- ❖ Electronic signature
- ❖ Digital Agenda



Boosting Productivity





Competition Agenda

- ❖ Anti-trust law
- ❖ Securities Commission law
- ❖ Consumer protection agency
- ❖ Transparency agenda



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