Productivity: a key element

Rodrigo Valdés
Minister of Finance of Chile

Chile Day • London
May 13th, 2016
Agenda

- Macroeconomic adjustment
- Fiscal policy
- Productivity and structural reforms
- Closing remarks
Agenda

- Macroeconomic adjustment
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Copper price

Copper price
(USD cent/lb.)

Copper price adjustments
(USD cent/lb.)

Source: Ministry of Finance, Budget Office, Cochilco
**Key macro variables**

**Real interest rates**
(%, UF bonds)

**Real exchange rate**
(Index 1986=100)

Source: Central Bank of Chile
Financial variables

Inflation expectations (*)

<table>
<thead>
<tr>
<th>Country</th>
<th>Inflation Expectations (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>0.0</td>
</tr>
<tr>
<td>Australia</td>
<td>0.0</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.4</td>
</tr>
<tr>
<td>Peru</td>
<td>0.9</td>
</tr>
<tr>
<td>Colombia</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Bloomberg and Central Bank of Chile

(*) Two-year ahead inflation expectations minus inflation target

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest Rate Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>-1.4</td>
</tr>
<tr>
<td>Australia</td>
<td>-1.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.0</td>
</tr>
<tr>
<td>Peru</td>
<td>-0.4</td>
</tr>
<tr>
<td>Colombia</td>
<td>1.1</td>
</tr>
</tbody>
</table>

CDS (Basis points, Δ2012-2016)

<table>
<thead>
<tr>
<th>Country</th>
<th>CDS Change (Basis Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>-0.6</td>
</tr>
<tr>
<td>Australia</td>
<td>-42.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>50.6</td>
</tr>
<tr>
<td>Peru</td>
<td>26.1</td>
</tr>
<tr>
<td>Colombia</td>
<td>109.7</td>
</tr>
</tbody>
</table>
Employment adjustment

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

Source: INE
Gross fixed capital formation

Source: Central Bank of Chile.
Unemployment

Unemployment rate (%)

Source: INE, University of Chile
Agenda

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Debt in countries with similar credit risk

**Gross debt**

(%, 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>330%</td>
</tr>
<tr>
<td>Belgium</td>
<td>120%</td>
</tr>
<tr>
<td>Ireland</td>
<td>100%</td>
</tr>
<tr>
<td>France</td>
<td>90%</td>
</tr>
<tr>
<td>Israel</td>
<td>70%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>60%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>50%</td>
</tr>
<tr>
<td>Poland</td>
<td>40%</td>
</tr>
<tr>
<td>China</td>
<td>30%</td>
</tr>
<tr>
<td>Czech...</td>
<td>20%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>15%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>10%</td>
</tr>
<tr>
<td>South Korea</td>
<td>9%</td>
</tr>
<tr>
<td>Latvia</td>
<td>8%</td>
</tr>
<tr>
<td>Qatar</td>
<td>6%</td>
</tr>
<tr>
<td>Chile</td>
<td>5%</td>
</tr>
<tr>
<td>Estonia</td>
<td>4%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2%</td>
</tr>
</tbody>
</table>

Average: 51.7%

**Net debt**

(%, 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Net Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>80%</td>
</tr>
<tr>
<td>Ireland</td>
<td>70%</td>
</tr>
<tr>
<td>Belgium</td>
<td>60%</td>
</tr>
<tr>
<td>Israel</td>
<td>50%</td>
</tr>
<tr>
<td>South Korea</td>
<td>40%</td>
</tr>
<tr>
<td>Latvia</td>
<td>30%</td>
</tr>
<tr>
<td>Poland</td>
<td>25%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>20%</td>
</tr>
<tr>
<td>Estonia</td>
<td>15%</td>
</tr>
<tr>
<td>Chile</td>
<td>12%</td>
</tr>
</tbody>
</table>

Average: 34.1%

Note: Countries with credit risk between A- y AA.
Chile’s central government balance

Government balance (% of GDP)

(* Forecast
Source: Ministry of Finance, Budget Office
Agenda

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Labor productivity

Average labor productivity
(USD 2014, PPP)

Source: The Conference Board
Progress in Structural Reforms 2011-2014

OCDE Reform Responsiveness Indicator

Boosting Productivity

- Energy
- Infrastructure
- Government efficiency
- Competition
- Better financing
- Education and skills
- Services exports

Productivity
Boosting Productivity

- Education and skills
- Services exports
- Energy
- Infrastructure
- Better financing
- Government efficiency
- Competition

Productivity
### Education

#### Students lacking basic skills (%)

- **OCDE**: 21.3%
- **Chile**: 45.3%

#### Certified teachers (%)

- **Chile**: 0%
- **Mexico**: 0%
- **OECD average**: 0%
- **Finland**: 90%
- **Germany**: 90%
- **United States**: 90%
- **New Zealand**: 90%
- **Australia**: 90%
- **Spain**: 90%

Source: OECD 2015 “Universal Basic Skills: What Countries Stand to Gain”
# Educational Reform Investment

**Cost of reforms**  
(% of GDP)

<table>
<thead>
<tr>
<th>Reform</th>
<th>2016</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-School education</td>
<td>0.13</td>
<td>0.23*</td>
</tr>
<tr>
<td>Primary and secondary education</td>
<td>0.33</td>
<td>0.56</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.11</td>
<td>TBA</td>
</tr>
<tr>
<td>Teachers Career</td>
<td>0.11</td>
<td>0.77*</td>
</tr>
</tbody>
</table>

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

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

- Education and skills
- Better financing
- Services exports
- Energy
- Infrastructure
- Government efficiency
- Competition

Productivity
Service Exports

Tourism and personal services (%)

Other services* (%)

(*) Without Transport
Source: WDI
Services Exports Agenda

- Equalizing tax treatment to goods exports
- Standardizing and harmonizing procedures
- Better information
Boosting Productivity

Productivity

- Energy
- Infrastructure
- Government efficiency
- Competition
- Education and skills
- Better financing
- Services exports

MINISTRY OF FINANCE . GOVERNMENT OF CHILE
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

- Services exports
- Energy
- Infrastructure
- Better financing
- Government efficiency
- Education and skills
- Competition

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

- Services exports
- Energy
- Infrastructure
- Better financing
- Education and skills
- Government efficiency
- Competition
Government efficiency

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

- Services exports
- Energy
- Infrastructure
- Better financing
- Government efficiency
- Education and skills
- Competition

Productivity
Competition Agenda

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

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