

Latam Daily: Chile Negotiates Emergency Subsidies, Likely to Trigger New Debt

- **Chile: Government and Opposition negotiate emergency subsidies; more public debt issuance in the offing**

CHILE: GOVERNMENT AND OPPOSITION NEGOTIATE EMERGENCY SUBSIDIES; MORE PUBLIC DEBT ISSUANCE IN THE OFFING

Ministers and representatives of both chambers of Congress met earlier this week to flesh out the so-called “common minimum agenda” on which they agreed last Friday, April 30, to unblock the political stalemate that accompanied the third round of pension-fund withdrawals. One of the government’s main proposals would provide a universal emergency subsidy, a concession to the main demand of Opposition representatives. The move would increase the coverage of the IFE (Emergency Family Income) from the current 80% of the Social Household Registry (i.e., the most vulnerable households in the country) to 100%. This would imply raising the number of beneficiaries from 13 mn at present to about 14.5 mn, with an additional fiscal cost of approximately USD 200 mn per month, at least until the June 21 date for new aid mentioned by the government.

Regarding aid to SMEs, an additional injection of USD 1 bn is proposed to finance subsidies to these businesses along with other tax benefits.

The government no longer has adequate resources at its immediate disposal to finance the new fiscal support that is being negotiated. The Treasury will likely seek to increase the issuance of public debt this year, the stock of which was already set to hit 33% of GDP. The government would tend to favour issuance abroad, given that the main buyers of local debt—Chile’s pension funds and insurance companies—are in the midst of a disinvestment process to facilitate the third round of asset drawdowns from the pension funds.

—Jorge Selaive & Waldo Riveras

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