Mining Investment for the Year Exceeds US$ 7.7 Billion: Permits Remain the Main Obstacle

■ According to various estimates, if all potential projects are considered, the figure could exceed US$ 10 billion.

Diario Financiero – December 16, 2024
By Patricia Marchetti

An investment portfolio valued at over US$ 7.7 billion is expected to materialize in 2025 in the country's mining sector. Although it is unlikely that the initiatives included in this figure will not proceed, there are hurdles that could cause delays.

According to the latest Cochilco report with projections for the next decade, US$ 6.248 billion in copper projects currently under execution are expected to materialize in 2025. These are classified as "base" projects due to their high certainty of completion: they already have approved Environmental Qualification Resolutions (RCA) and are only awaiting implementation next year.

Additionally, US$ 1.472 billion in projects classified as "probable" are expected to be executed. These projects are still in the feasibility phase, have approved RCAs, and are at a critical stage of investment decision-making.

Furthermore, another US$ 2.210 billion corresponds to "possible" initiatives, meaning they are in feasibility, pre-feasibility, or suspended stages. These may have Environmental Impact Studies (EIA) or Environmental Impact Declarations (DIA) in progress or pending. Lastly, US$ 23 million is attributed to "potential" projects, the category with the highest execution uncertainty.

In total, US$ 7.72 billion in copper projects, classified as either "base" or "probable," are expected to materialize in 2025. Of this, US$ 4.036 billion will come from state-owned mining projects, and US$ 3.684 billion from private-sector mining.

The total projected investments across all minerals and conditions for 2025, according to Cochilco, amounts to US$ 10.547 billion. Separately, Plusmining estimates that investment materialization could reach US$ 12.1 billion next year. Key projects include those led by Antofagasta Minerals, Collahuasi, Codelco, Minera HMC, SQM, Candelaria, Aclara, and CAP. Notably, Codelco has planned annual investments of US$ 5.2 billion over the next decade.

"Committed Projects"

Jorge Riesco, president of the National Mining Society (Sonami), stated that industry estimates suggest US$ 7.278 billion in project materialization for 2025, most of which involve brownfield developments.

"This represents an additional US$ 2 billion compared to 2024, indicating some dynamism in projects moving forward," he noted. However, he added that while most of these are "committed projects that are unlikely to be canceled, delays could occur due to pending permits or the lack of capacity among construction and assembly companies."

Regarding the latter, Riesco remarked, "We are not currently seeing the same volume of projects as in previous years, so we believe engineering companies will be able to meet demand. I would say there shouldn't be significant obstacles to materialization."

Permits: The Major Obstacle

Permitting remains the primary concern for investment realization, despite projects slated for 2025 having spent up to five years in environmental review processes. "Many are already underway, but last-minute issues with a permit or delays can halt full investment materialization," explained Riesco.

Germán Millán, natural resources consulting leader at PwC Chile, highlighted that "the greatest obstacle to realizing sector investments lies in a combination of social and regulatory challenges."

On one hand, community relations pose difficulties, while on the other, "environmental requirements and lengthy permitting processes increase costs and create uncertainty for investors," he said.

The National Commission for Evaluation and Productivity reports that a high-complexity mining project may require up to 108 months to secure all necessary permits. There are 71 entities responsible for issuing 309 permits for a single initiative to become an investment, with 63 of these capable of halting the process entirely.

A DIA can cost up to UF 9,000 (approximately $345 million), while an EIA ranges between UF 11,000 and 25,000 (approximately $422 million to nearly $1 billion).

Álvaro Merino, executive director of Núcleo Minero, emphasized the urgency of improving institutional frameworks. “It is crucial to reduce permitting times and provide greater certainty,” he stated. Merino proposed establishing mechanisms for legal stability, such as the Foreign Investment Statute repealed in 2015, to include “tax invariability on income” and encourage investment.

Juan Cariamo, co-CEO of Vantaz Group, identified global competitiveness factors as a significant obstacle, noting that these influence financial markets and may hinder the arrival of major capital necessary for projects. “The second obstacle I foresee is execution,” he added, explaining that “new projects require solid engineering, good services, and high-quality construction.”

Mining projects can take up to 108 months to secure permits.

US$ 2 billion more than in 2024 will materialize in 2025.

Copper and Lithium: The Price Consolidation of Chile's Crown Jewels

■ Despite existing risks, mineral prices show solid fundamentals, according to the market.

Diario Financiero – December 16, 2024
By Patricia Marchetti

The rise of electromobility and the energy transition places Chile's two crown jewels—copper and lithium—at the center of mining expectations and projections for 2025.

While not free from disruptions that could impact their values, overall forecasts point to a strong year for both minerals.

In its latest report, Cochilco maintained its projection for copper at US$ 4.25 per pound in 2025, which, if achieved, would mark the highest annual average price for the metal in history.

Goldman Sachs encouraged investment in copper, raising its 2025 forecast from an average of US$ 4.58 per pound to US$ 4.6. The firm predicts copper's best moment will come in the fourth quarter, with prices reaching US$ 4.9. "Strong structural demand and global supply constraints support an optimistic outlook," the firm stated.

In contrast, Bank of America (BofA) lowered its estimate from US$ 4.88 per pound to US$ 4.28, citing global geopolitical tensions.

On this note, Juan Cariamo, partner and co-CEO of Vantaz Group, commented, "We are seeing attempts to reignite the trade war between China and the U.S., which could impact the Chinese economy and, therefore, affect copper prices and mining investments."

Regarding copper production, Cochilco forecasts a 6% growth, reaching 5.7 million tons, which would account for 24% of global production.

Lithium Rebounds After Plunge

Following a decline of over 80% in the past two years to US$ 10,000 per ton, the lithium market is expected to stabilize. On the contrary, optimism is growing.

Daniel Jiménez, founding partner of iLiMarkets, stated that "lithium prices should have already bottomed out." He added, "The recovery of lithium prices will depend on demand, which underperformed in 2024 due to weak electric vehicle sales. However, I am optimistic that demand will grow in 2025; the question is at what rate."

Jiménez projected a 30% increase in lithium prices for 2025, reaching between US$ 12,000 and US$ 14,000 per ton of lithium carbonate equivalent, and predicted "a calm year" for the market.

By 2026, the increase is expected to be even more pronounced, driven by higher demand, with the price per ton potentially climbing to US$ 18,000.

BofA noted that due to the recent price drop, producers have cut back on output, suggesting that "2025 will be the turning point."

"By 2026, the oversupply will decrease, potentially leading to a lithium deficit by 2027," the bank added.

Private Capital and Energy Transition: Key Focus Areas for Global Investors in the Coming Years, Says Schroders

A greater focus on private markets, also known as alternative assets, is what major global investors, including qualified investors and pension funds, will pursue in the coming years.

Pulso – December 16, 2024
By Maximiliano Villena

This is according to Schroders' Global Investor Study (GIIS), which surveyed 420 pension funds across 26 global locations, representing $13.4 trillion in assets.

The study indicates that these funds will concentrate particularly on private debt (51%), private equity (49%), infrastructure debt (41%), and renewable infrastructure (38%). Meanwhile, themes such as the energy transition, decarbonization, and technological transformation remain key drivers of pension fund demand for private markets.

Additionally, approximately 93% of pension funds are either already investing in or planning to allocate funds toward energy transition initiatives, with over one-third expecting to make new investments in this area within the next one to two years.

Demand for global equities has also emerged as strong, with 55% of funds expanding allocations to capture high-growth markets and sectors.

Alternative fixed-income strategies are also gaining popularity. While there is a global preference for private debt, regional preferences vary. In the Asia-Pacific region, Asset-Backed Securities (36%) are drawing more attention; in EMEA (excluding the UK), pension funds continue to favor sustainable bonds (27%); and in the UK and North America, emerging market debt strategies (27%) are viewed as key opportunities.

Alex Toledo, Country Head of Schroders in Chile, highlighted that the global survey results align closely with trends in the Andean region, where pension funds have been increasing investments in private assets as regulations allow. "In Chile, for instance, just this year the Central Bank authorized a gradual increase in investment limits for this segment, which will grow annually until August 2027, reaching a maximum exposure of 20% in Fund A and only 6% in Fund E. These are steps in the right direction, but we believe there is still room for these percentages to expand further, aligning with what developed markets have done," Toledo explained.

Investors

The survey also polled 1,755 wealth managers and financial advisors globally, representing $12.1 trillion in assets. According to the study, private equity (53%), private multi-asset solutions (47%), and renewable infrastructure equity (46%) are the top three private market asset classes in which advisors and managers anticipate increasing client allocations over the next one to two years.

Two-thirds of respondents identified the potential for higher returns than public markets as the most significant benefit of investing in private markets for their clients. This was closely followed by diversification through differentiated return drivers (62%).

On average, private market investments account for 5%-10% of total portfolio exposure for most investors.

Many of these global trends are also evident in the Andean region and Chile.

Francisca Parada, Head of Wealth & Family Offices for Schroders Andean, noted that private markets have increasingly played a crucial role in local wealth portfolios. "Investing in alternative assets is here to stay. In a context of higher inflation and volatility, these assets have become a fundamental piece in any portfolio. Their growth is set to continue, driven by the emergence of semi-liquid vehicles that have democratized access, removing barriers for non-institutional investors," Parada explained.

According to the GIIS, 62% of Latin American managers and advisors are already investing in private markets, with an additional 12% planning to do so within the next two years. This contrasts with other regions where such investments are less prevalent. Latin America is followed by North America, where 57% of management organizations invest in these asset types.

"Exports Will Remain Strong; The Question is How Solid External Demand for Chile's Minerals Will Be"

■ The economist highlights that investment will recover thanks to mining, and the country will also advance in fiscal consolidation.

Diario Financiero – December 16, 2024
By Amanda Santillán R.

At the beginning of the month, the Organisation for Economic Co-operation and Development (OECD) raised its projections for Chile's economy this year, estimating that GDP will grow by 2.4%. However, at the same time, it lowered its 2025 forecast from 2.5% in May to 2.3%.
Adolfo Rodríguez-Vargas, Chief Economist for Chile at the OECD, explained that the changes for this year are due to an upward revision of export growth projections and a downward adjustment in imports, while the rebalancing of domestic demand will contribute slightly less to economic activity.
For next year, private consumption is expected to accelerate, though at a slightly slower pace than anticipated in May.

- Your report mentions "solid" consumption growth due to rising real wages, eased financial conditions, and sustained external demand for minerals. What are you expecting?
- The first thing I'd like to emphasize is that we are expecting a recovery in consumption. The bottom line is that we foresee slightly weaker growth than anticipated based on the data from the first three quarters. Consequently, we revised consumption growth for 2024 slightly downward. This will also translate into a moderation of consumption growth for next year.
While real wage growth is significant, and we expect monetary conditions to continue easing, we find that 2% consumption growth in 2025 is more compatible than the 2.5% growth initially projected.

- What do you forecast for investment, which has declined for two consecutive years?
- In the third quarter data, domestic demand showed recovery. Specifically, we observed an increase in investment, which had been sluggish but is now showing signs of improvement, with very positive prospects in the mining sector.
This year, in particular, mining companies have had more clarity regarding their tax obligations following the publication of the royalty framework.
Thus, while consumption growth will slow somewhat, investment will show greater strength. Balancing these two elements, given their respective weights in GDP, domestic demand is expected to grow slightly less than in previous projections. Meanwhile, exports have shown significant resilience, and we also anticipate an increase in imports.
What we are forecasting is a substantial contribution from net exports. Exports will remain strong; the key issue is how sustained and solid external demand for Chile's mineral exports will be.
And yes, we do expect significant investment on the part of the mining sector.

- How might this outlook change if a trade war materializes?
- Our projections only include policy measures enacted before the deadline or announced plans where sufficient details are available.
The OECD has consistently highlighted the numerous long-term benefits of open markets. International trade has lifted over a billion people out of poverty, created jobs, given businesses access to broader markets, higher-quality inputs, and new technologies, and has fostered competition, productivity, and innovation.
We see that dialogue among countries and well-designed, well-implemented reforms are essential to preserving these trade benefits and ensuring they continue to reach everyone.

- How do you assess the Chilean labor market situation? Locally, there is debate among economists about a labor emergency, which the government downplays.
- We are forecasting a decline in unemployment throughout the projection horizon, and this is the most important takeaway.
We project the unemployment rate will drop to 8% by 2026, down from 8.3% in 2025, with an average of around 8.4% expected for this year.

It is also true that some labor market indicators have not yet returned to pre-pandemic levels. For example, employment and participation rates have shown little dynamism in recent months.
However, the key point I would like to emphasize is that the economic recovery will translate into a labor market recovery, with a reduction in unemployment.

- What scenario do you foresee for reducing the fiscal deficit from 2.3% of GDP in 2024 to 1.3% in 2025 and 1.0% in 2026?
- We expect that efforts to improve tax administration, following the new tax law, will be successful. That said, our forecast accounts for implementation challenges, which are common with such reforms—they take time and must be done carefully.

Therefore, we project that additional revenues will be slightly less than what the government has indicated.
The fundamental point in our fiscal projections is that there will be consolidation, moving from a deficit of 2.3% to 1.0%, although perhaps at a slower pace than what the authorities anticipate.

“The economic recovery will translate into a labor market recovery, with unemployment declining.”

Reports from the Confederation of Production and Commerce and Clapes UC:

Economic expectations lowered for year-end, with 2025 growth forecast around 2%

On the eve of the Central Bank's decision regarding the benchmark interest rate and its presentation of new economic projections to Congress, the business guild and the academic think tank provide their assessments, focusing on challenges for the upcoming year.

MERCURIO DE SANTIAGO
A. DE LA JARA AND E. OLIVARES

CPC: Investment likely to close negative in 2024 but may grow over 4% in 2025

Chile is projected to see modest economic growth in 2024, with a similar pace expected in 2025, according to market forecasts. The Confederation of Production and Commerce (CPC) estimates an activity increase of up to 2.2% for this year and just above 2% for the next.

The driving force behind any GDP growth is domestic demand, driven by consumption and investment. CPC predicts weakness in both variables, just days before the Central Bank presents its perspective in the December Monetary Policy Report (IPoM).

While fixed investment shows "marginal recovery" signals, the CPC report highlights that it has seen five consecutive quarters of negative annual rates. Machinery and equipment investment is the most retracted category (-6.1% annual decline through September), but construction and other works have also fallen by 1% over the same period.

"In the last quarter of 2024, a lower comparison base and better performance in capital goods imports suggest that fixed investment will show positive annual growth during the quarter, resulting in an annual contraction of around 1.5% for the year," the report states.

"Construction investment has struggled to gain momentum, with only slight growth expected in the year's final quarter, reflecting weak performance in building permits and cement shipments," it adds.

CPC estimates that investment could grow by over 4% in 2025.

Weak Consumption

Private consumption follows a similar trend. While it is growing, the pace is slow (0.9% annualized growth through September). "A stronger recovery in goods consumption was anticipated; however, the rebound has been slower, particularly for non-durable goods. Meanwhile, services consumption (accounting for half of private consumption), which had been growing robustly in 2023, has stabilized in 2024," the CPC report explains.

"The subdued momentum of private consumption is reflected in the commerce sector, which only recently began showing better performance, particularly in retail sales," CPC highlights. "Similarly, consumer goods imports have started to recover in recent months, with an average annual growth of 6.2% between September and November 2024," it adds.

Recovery expectations for the fourth quarter indicate a 3.5% annual growth in private consumption. For 2025, a growth rate between 2.2% and 2.3% is anticipated.

Against this backdrop, the private sector guild asserts, "Excluding the direct impact of electricity tariff increases, inflation has continued trending towards the Central Bank's target, expected to be achieved in early 2026."

The Missing 300,000 Jobs

"The labor market continues to show poor job creation, keeping unemployment rates hovering around 8.6% for much of the year—levels comparable to last year," the report summarizes.

Labor weakness is evident in the 264,000 jobs created annually on average in 2024, of which only 53% are formal. Seasonally adjusted data confirms a precarious trend: new job creation between January and April was "modest in historical terms," but worsened from May onwards, with an average loss of nearly 2,000 jobs per month, CPC notes.

Economist David Bravo has highlighted another issue: the employment rate—measuring the share of the working-age population in jobs—is lagging by 14 years. “You have to go back to 2010 to find such a low employment rate,” he told El Mercurio on November 30.
The 56.3% employment rate for the July-October rolling quarter is nearly two percentage points lower than during the COVID-19 era. “To return to pre-pandemic employment levels, approximately 300,000 additional jobs would need to be created,” CPC calculates.

Projections
In its baseline scenario, CPC presents the following projections:
GDP Growth:
- 2024: Expansion of 2.1%-2.2%.
- 2025: Growth “slightly above 2%.”

Investment:
- 2024: Decline of 1.3%-1.7%.
- 2025: Increase of 3.8%-4.3%.

Private Consumption:
- 2024: Growth of 1.5%-1.8%.
- 2025: Increase of 2.2%-2.3%, driven mainly by lower interest rates.

Unemployment Rate (Average):
- 2024: 8.5%.
- 2025: Similar level.

Annual Inflation:
- 2024: 4.8% in December.
- 2025: 3.5%-3.7% by December.

Risks
Key risks to these projections include:
- Geopolitical Risks: Increased tensions in the Middle East, the impact of Donald Trump’s return to the U.S. presidency on the Russia-Ukraine war, and global protectionism, which could lower commodity prices.
- Interest Rates: Potentially higher-than-expected global rates.
- Fiscal Policy: “There is significant risk that fiscal targets may not be met.”
- Economic Activity: “The lack of measures to stimulate employment and investment.”

Clapes UC: “Higher GDP growth is needed to create jobs and reduce unemployment”
This year offers lessons, not to be forgotten, on economic matters, as without growth, a country cannot prosper, and social demands intensify, warns Clapes UC. The think tank estimates a 2.2% GDP growth for 2024, constrained by weaker domestic demand, while lowering its 2025 expectations.
Ahead of the Central Bank’s Monetary Policy Meeting and updated forecasts this week, Clapes UC projects that, unlike 2024, next year’s growth will see greater contributions from investment and consumption, with less reliance on external demand.
For 2025, GDP is expected to grow between 1.5%-2.5%, down from earlier estimates, “mainly reflecting caution amid rising international risks,” says Felipe Larraín, Director of Clapes UC.

Fiscal Constraints
Clapes UC notes that household consumption remains subdued, due to tight credit conditions, stagnant employment, and persistent inflation, forecasted to close at 4.7%. Consumer expectations remain pessimistic, and spending on durable goods remains cautious.
“In this low-growth context, the Chilean economy is barely creating jobs, and unemployment remains significantly higher than pre-pandemic levels. Higher GDP growth, increased investment, and avoiding measures that raise hiring costs are necessary to create jobs and reduce unemployment,” Larraín emphasizes.
Clapes UC also highlights a rise in public spending this year alongside declining fiscal revenues. The fiscal deficit as of October stands at 2.5% of GDP, reaching 3.7% over 12 months—both figures exceeding the official annual projection of 2%.
“This is a warning sign for fiscal commitments, as it shifts the adjustment burden to future years,” Larraín cautions.

2025 Outlook

In the initial months of the coming year, higher monthly inflation rates are expected to resurface, driven by the new increase in electricity tariffs in January (approximately an additional 10%, contributing 0.3 percentage points to the CPI for the month) and adjustments occurring at the beginning of the year based on the prior year's inflation (such as in education).

Once these effects subside, Clapes UC anticipates that inflation will realign with the Central Bank's target, reaching approximately 3.5% by the end of 2025. This outlook assumes weak domestic demand, stabilized oil prices, and an appreciation of the peso compared to levels seen at the end of this year.

However, a risk to achieving the inflation target lies in the persistence of service inflation, which has remained around 5% throughout the second half of this year.

The research center forecasts that, under the most probable scenario, the Central Bank will lower the Monetary Policy Rate (MPR) to 5% this week. Although this level remains restrictive, further cuts are expected next year as inflation moves closer to the target.

“We project that the Central Bank will reduce the MPR by 100 basis points over the course of next year. After the anticipated high inflation during the first quarter, we expect inflation to stabilize at annualized rates near the 3% target,” says Hermann González, macroeconomic coordinator at Clapes UC.

Nonetheless, González notes that these rate cuts will be more gradual than predicted three months ago, particularly in light of changes in U.S. monetary policy trends.

“Currently, 100 basis points fewer in federal funds rate cuts are expected than was the case in mid-September,” González estimates.

In a similar vein, the economist highlights an increase in global risks over recent months. “Geopolitical risks have risen, and with the change in the U.S. administration, fears of heightened trade tensions have intensified.” This development, González adds, should be closely monitored for its potential impact on export performance.

To counterbalance this challenging global scenario, Clapes UC underscores that investment will play a crucial role next year, with growth anticipated following two years of declines. The growth is expected to stem from private initiatives concentrated in the mining sector and localized in northern Chile.

"We haven’t had a good year, but we must learn from it: never forget that without growth, a country cannot prosper, and social challenges worsen."

Felipe Larraín
Director of Clapes UC

"The MPR cuts will be more gradual than anticipated three months ago, particularly considering changes in U.S. monetary policy evolution."

Hermann González
Macroeconomic Coordinator, Clapes UC