

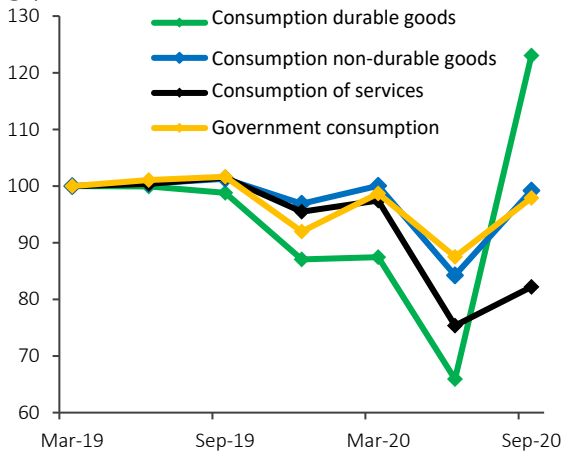
## Activity recovers driven by consumption

GDP for the third quarter (-9.1% Y / Y; 5.2% QoQ seasonally adjusted) reflected the economic recovery that began with the gradual process of deconfinement and was driven by the macroeconomic stimulus measures of the Government and the Bank Central, and the liquidity shock received by households with the withdrawal of pension funds. Consumption of goods rose sharply compared to the levels of the second quarter -during the peak of the pandemic-, as did investment in machinery and equipment. On the contrary, the consumption of services and investment in construction continued to be weighed down due to the supply restrictions imposed by social distancing.

This was reflected in the supply sectors, where most services and construction had a poor performance until August, and only in September did they show an incipient rise. In contrast, commerce began to improve its performance from the end of the second quarter, initially thanks to online sales and later favored by the lack of refinement and the strong recovery in consumption.

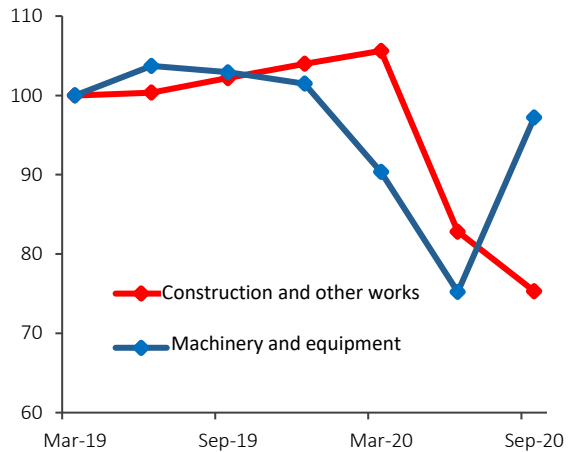
We estimate that the recovery process would have continued in the last part of the year, which, added to the low comparison bases due to the social outbreak, will lead to a GDP expansion of around 2% in the fourth quarter. With this, 2020 would close with a contraction of the economy of between 5% and 5.5%.

Consumption recovers but services maintain a large gap



Note: Seasonally adjusted series (1Q20 = 100)  
Source: BCCh and Santander

Investment in construction is a key component to the continued contracted in demand

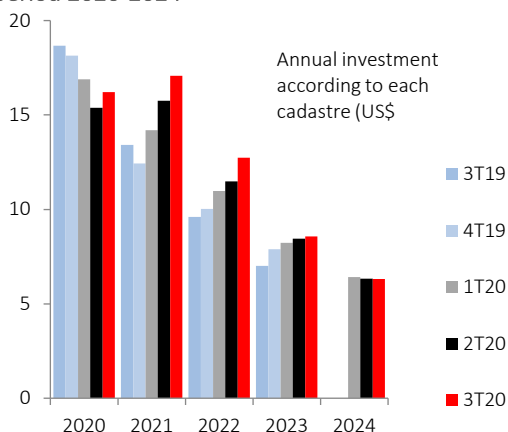


Nota: Seasonally adjusted series (1Q20 = 100)  
Source: BCCh and Santander

Next year, growth will depend on the evolution of the pandemic, the recovery of the labor market and the advancement of investment. Regarding employment, the deconfinement process has allowed an incipient improvement, with the creation of 720 thousand jobs from the minimum level in July, according to the survey by the Universidad Católica. On the investment side, there are also somewhat more positive prospects. The cadastre of the Capital Goods Corporation for the third quarter showed a 6% rise in projects for the 2020-2024 five-year period compared to the

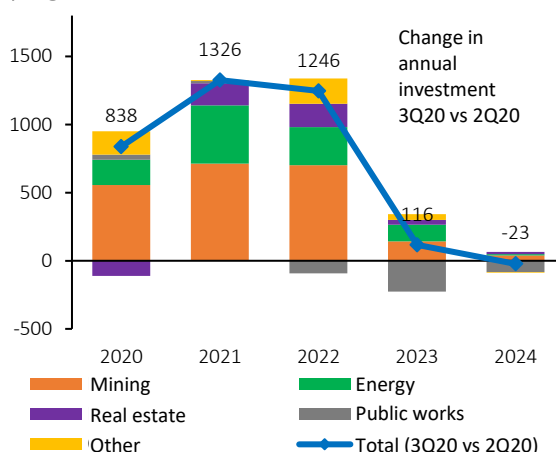
previous cadastre, with significant contributions in mining and energy due to favorable prospects for the price of copper.

Investment projects revised upwards for the 5-year period 2020-2024



Source: CBC and Santander

Mining and energy explain the main increase in programmed investment



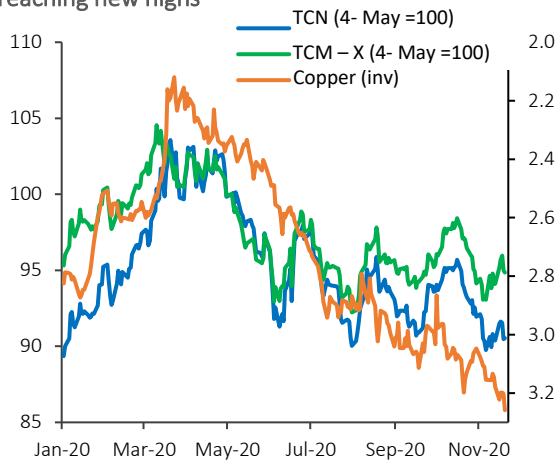
Source: CBC and Santander

### The exchange rate remains appreciated

Although at the beginning of the week the exchange rate tended to depreciate - reaching \$ 770 intraday - at the close of this report it was trading around \$ 764, below the close of the previous week. This occurred in a context where the price of copper reached new highs and the Ministry of Finance accelerated the rate of sale of dollars, going from US \$ 350 million weekly average in October to more than US \$ 800 million this week.

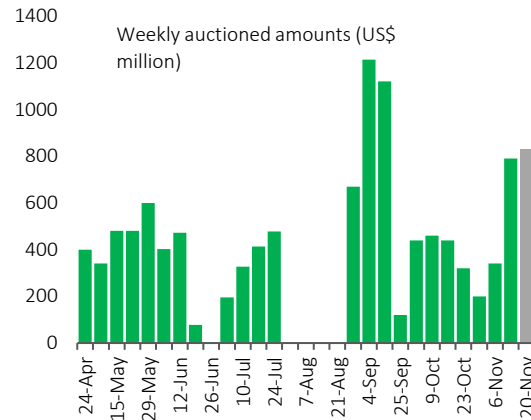
During the week, the Government placed two new bonds for a total of close to US \$ 2.1 billion. Both issues were in pesos, with maturities in 2028 and 2033. The cut-off rates were at 2.5% and 3.4%, relatively in line with the benchmark rates in secondary markets, reaffirming that the sovereign maintains access to financing under favorable conditions.

Exchange rate remains appreciated, with copper reaching new highs



Source: BCCh, Bloomberg and Santander

The Finance Ministry has increased the auctioned dollars in the last two weeks



Note: Week of November 20 only considers Monday to Thursday.

Source: Santander based on the Ministry of Finance

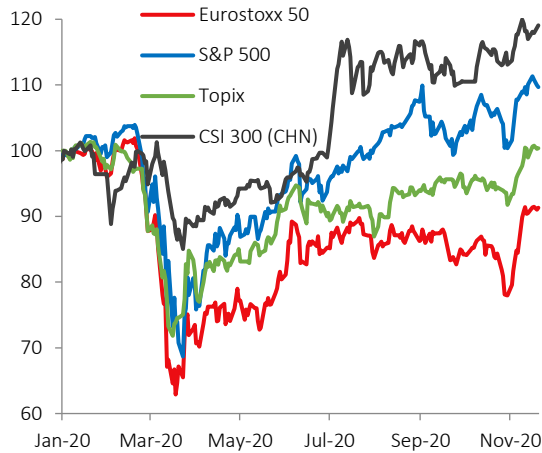
**Most of the global markets continue to show progress**

The last few days have been noted for the very substantive announcements regarding the development of vaccines against Covid-19, with two projects showing more than 90% effectiveness (Pfizer-Biontec and Moderna; the Oxford-Astrazeneca vaccine also showed good results, but is just in phase 2). The initial optimism generated by this news was partially offset by the progression of the pandemic in the northern hemisphere, which has meant new distancing measures, including the closure of schools in New York. Added to this are the political noises in the US, where President Trump has yet to acknowledge his defeat, which has hampered the possibility of a deal for the long-awaited fiscal stimulus package.

In this context, the main stock indexes showed different rates of growth during the week, with Europe, Japan and China rising just over 1%, while in the US the S&P closed almost flat. Long bond rates in the latter country cut their upward path and fell by around 5 bp, to 0.84%, while the dollar weakened globally.

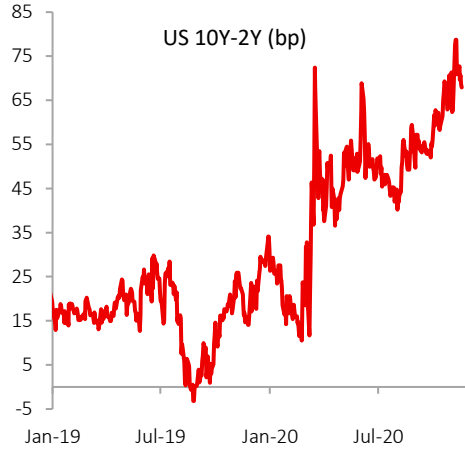
For its part, the Chinese economy has continued to show signs of strength. Industrial production in October advanced above expectations (6.9% y / y vs. 6.5% est.) and real estate investment showed a rebound (1.8% y / y accumulated vs. 1.6% est.) after several months lagging, realizing the favorable impact of the stimulus plans. These results boosted metal prices and caused copper to trade at its highest in the last two years, something over US \$ 3.25 a pound. Although some reversal in prices is possible, the tightness that the supply has shown due to the lack of investment in new fields will keep them relatively limited for a long time.

The markets have moved erratically in recent days



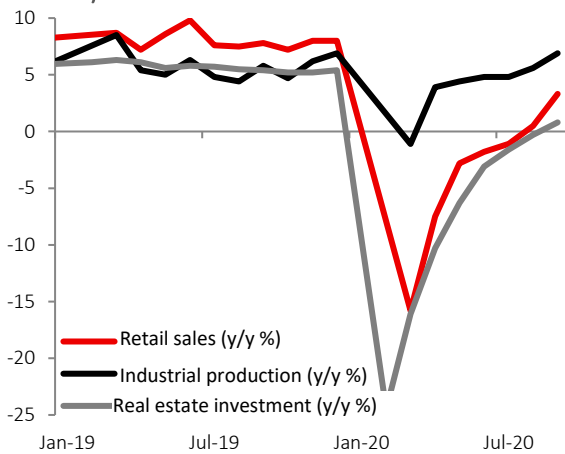
Source: Reuters and Santander

After strongly increasing in recent weeks, the slope of the curve recedes



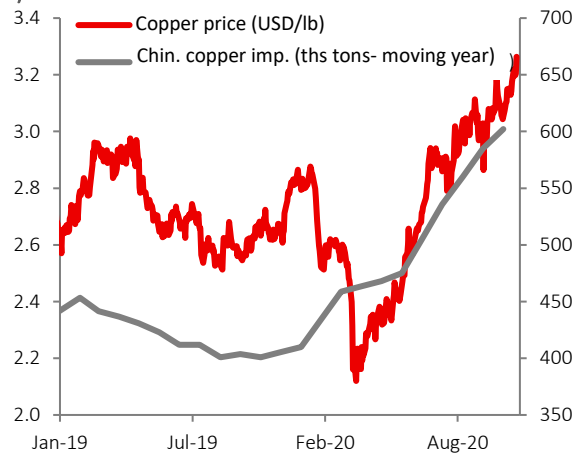
Source: Reuters and Santander

The Chinese economy continues to show solid recovery



Source: Reuters and Santander

Copper prices reach maximum levels in more than 2 years



Source: Reuters and Santander

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