Local economy could recover at a faster pace, but uncertainty remains high

Strong liquidity injections compounded to better external conditions would provide additional drive to the economy in the second half of the year. Nevertheless, the sanitary situation is still fragile, and the labour market continues to lag.

Highlights

The global vaccination rollout has continued to progress, though unevenly among countries. Covid-19 infections have decreased in advanced nations, and a reopening of the economy is being observed, while several emerging economies confront a new resurgence of the pandemic.

Improved growth prospects of advanced economies added to the solid liquidity have begun to foster concerns over prices. The leading central banks have reasserted that possible increments to inflation would be temporary and reiterated their disposition to maintain their rates lowered for a prolonged time. In response, long rates have settled and are even retreating at the margin.

Local activity has grown above expectations during March and could recover faster than in the second semester. Lockdowns will make the economy recede in April, but low comparison bases will lead to further growth of around 11%. As the vaccination rollout proceeds and infections decrease, the economy will regain its recovery and grow between 6% to 7% in the year. Nevertheless, the recent liquidity, the fiscal support measures and the improving external scenario could lead to higher growth, between 7% to 8%.

The main risks looming over the economy in the short term concern the sanitary situation and the labour market's weakness. Though employment has recovered compared to last year, it still remains below its pre-pandemic levels. Influencing this is the weak demand and an offer restricted by the difficulties of job seeking. We should observe a recovery in the months to come, but it will be gradual, and vacancies will remain high.

Inflationary pressures remain restricted. April's CPI surprised on the upside concerning food prices, but underlying indicators remain low. We estimate that prices will accelerate moderately due to the impact of liquidity injections on consumption. Notwithstanding, the exchange rate appreciation and the capacity gaps will restrict inflation towards the end of the year, which would close at 3.3%.

We uphold our outlook of the MPR at 0.5% during this whole year.
The labour market's weakness and the risks to recovery will prompt the Central Bank to collect more information before starting a normalisation process. Nonetheless, if sanitary conditions improve and the greater liquidity fosters a faster recovery, the Council might have to consider an increment in the MPR towards the end of the year.

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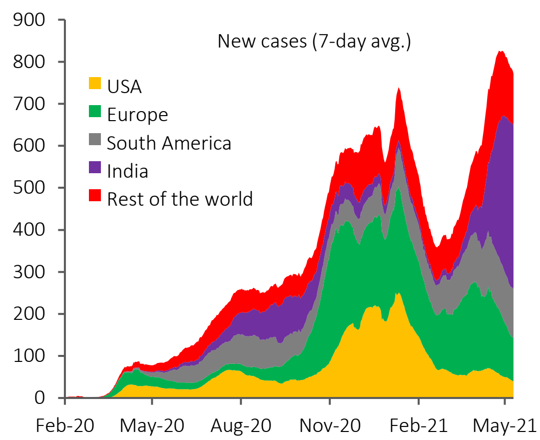
The world is experiencing its third wave of contagion due to new outbreaks in emerging countries.

Since early April, there has been an acceleration of Covid-19 infections globally, with India and Latin America suffering the most extensive outbreaks. Conversely, the US and Europe have reduced gradually their number of cases thanks to the vaccination progress and social distancing measures. Israel, the leading country in terms of immunisation with more than 60% of the population wholly inoculated, has accomplished a dramatic reduction of cases which has allowed the economy to reopen.

The vaccination rollout has continued to progress in a heterogeneous manner. Advanced countries and some emerging economies are the ones most ahead, though recent weeks have shown a slight decline in the inoculation pace. Influencing this are logistic factors compounded to the reticence of some segments of the population.

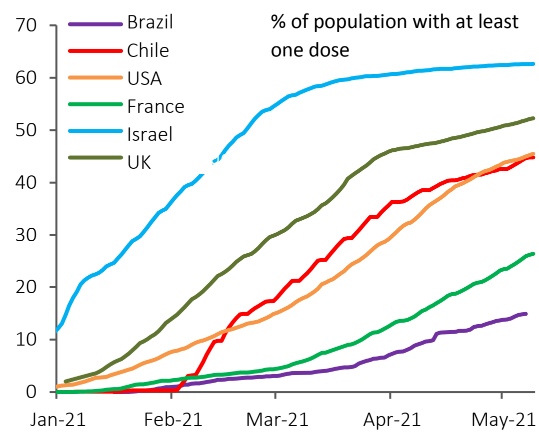
The lack of vaccines to cover the needs of poorer nations has fostered a debate over patents. Some countries have proposed the temporary waiving of licences that protect the intellectual property of vaccines. In recent weeks, the US has opened up to such possibility, even though it is unclear whether this will allow the acceleration of production in the short term.

Cases rise in India and other emerging nations



Source: Our World in Data and Santander

Vaccination rollout proceeds at uneven paces



Source: Our World in Data and Santander

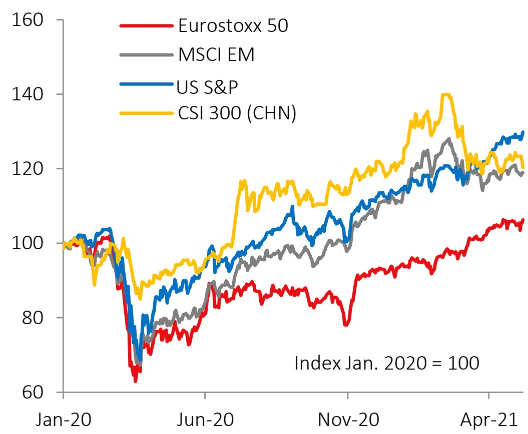
Improving sanitary conditions in advanced countries provide buoyancy to global markets

In the last month, the leading bourses rose again, driven by the improvements in the sanitary situation in advanced countries. The global MSCI standard rose close to 2% since mid-April, with Latin America's increment standing out (8%), in which Brazil's stock market continued to recover after the critical drops in early March, and the Mexican stock market displaying a relevant climb. In the US, the S&P 500 rose around 2% and reached historical maximums, surpassing 4,200 points. In Europe there was also relevant progress led by Spain (6%) and France (3%). The Chinese stock market, in turn, displayed fluctuations and closed at levels above those recorded a month ago. Despite a good performance, the VIX index tended to rise, reflecting a slight increase in general uncertainty.

The hikes in long term rates that took place early this year have stopped and, in the case of the US, retreated moderately along the month, in a context in which the labour market continues to lag and inflation remains low despite the strong liquidity. April's figure will be known as of the date this report was issued, in which a robust annual variation on prices is expected (from 2.6% to 3.6%) due to low comparison bases.

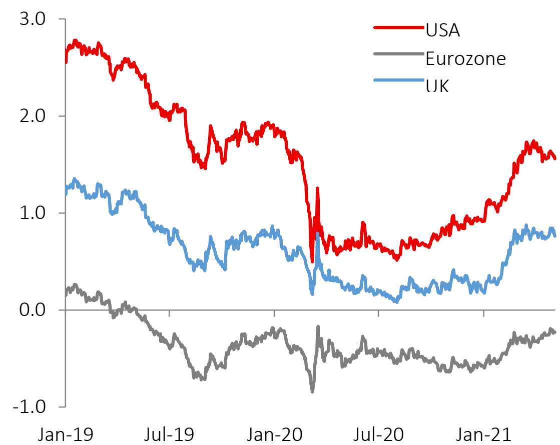
The leading central banks, in turn, have shown signs of playing down eventual inflationary rebounds and have insisted that monetary stimulus withdrawals will be very gradual. There were rises in key interest rates only in some emerging economies, as in Brazil's case, where May's COPOM increased the Selic rate by 75 bps up to 3.5%.

Stock indexes of the leading bourses continue to climb



Source: Bloomberg and Santander

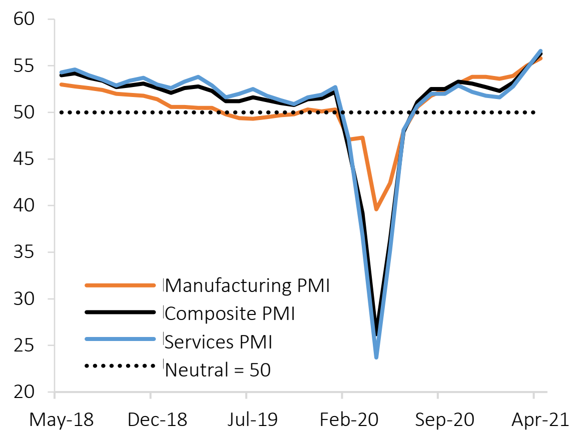
Long term interest rates halt their rise



Source: Bloomberg and Santander

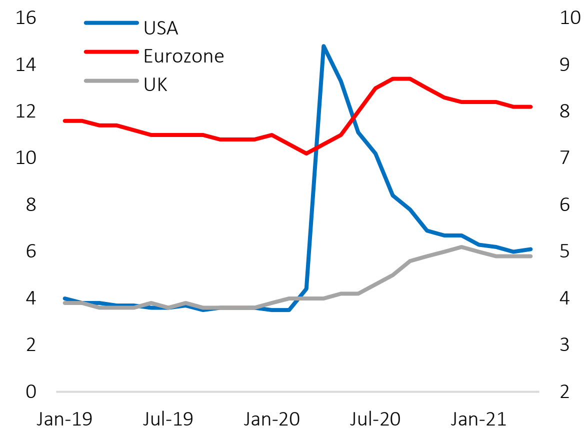
In April, the preliminary figures of the first quarter's GDP in the US were known, which displayed an acceleration in its growth (6.4% QoQ annualised vs 4.3% of 2020 4Q), driven by personal consumption (10.7% QoQ annualised) and investment in fixed capital (10.1% QoQ annualised). Data at the margin has also been solid. April's manufacturing PMI (60.5) displayed robust progress, while services (64.7) reached their highest level since the figures began in 2009. The labour market, however, gave mixed signals: initial unemployment claims were relatively restricted at around 500,000, but job creation was well below estimated (266,000 jobs vs 1,000,000 expected).

Better activity figures at a global level



Source: Bloomberg and Santander

Labour markets continue to lag



Source: Bloomberg and Santander

In the Eurozone, the first quarter's GDP contracted once more, though slightly less than expected (-1.8% vs -2.0% expected), showing the confinement measures' impact on the first part of the year. Nevertheless, the last figures have shown greater dynamism. The manufacturing PMI climbed up to 62.9 in April, reaching its historical maximum, while the services PMI settled on positive grounds (50.5) after several months on the contractive territory. Also, the labour market has continued to improve gradually. In March, the unemployment rate surprised favourably by decreasing up to 8.1%, though it is still quite above its pre-pandemic records.

In the first three months of the year, the Chinese economy grew by 18.3%, reflecting not only a strong buoyancy but also the low comparison bases, with the pandemic's greatest impact on China taking place during the first quarter of 2020. In April, activity data showed an additional rebound. The manufacturing PMI (Caixin, 51.9) recovered lost grounds after its fall in prior months, while the services PMI had quite a relevant rise reaching its highest level so far this year (56.3). In turn, foreign trade figures surprised strongly on the upside. Exports grew by 32.3% (over the 24.1% expected) and imports did so by over 43% (38% during March). There is still concern over the bottlenecks in the manufacturing sector within the country, caused by both the solid demand and the logistic restrictions that have begun pushing production prices up. Overall, inflation remains quite restricted.

Copper Price breaks historical record

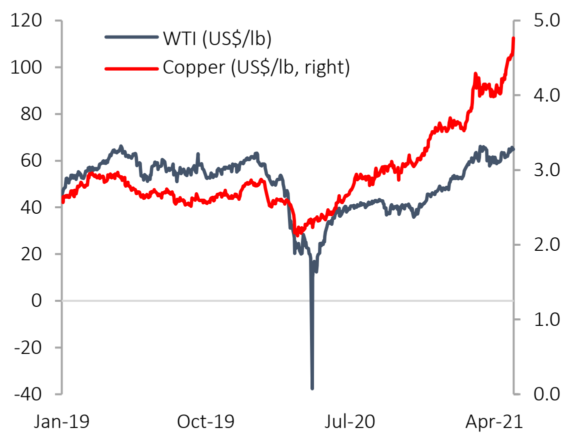
The price of copper surpassed its nominal historical record of US$4.6 per pound (February 2011), reaching US$ 4.8 per pound. Though better demand prospects and the vigorous global recovery in sight have played a significant role, copper exhibits certain specificities that have caused prices to surge over other primary sources and, in particular, of other metal commodities.

Concretely, the offer remains restricted in the short term, and the sector's activity prospects have become more uncertain. In Peru (second global producer), the winning candidate of the first presidential ballot, Pedro Castillo, has indicated that it will review its operation contracts and have hinted at the possibility of nationalising natural resources. In Chile, the first-stage approval of a mining royalty with marginal rates of 75% has also fostered doubts over future investment, thus stressing the outlook of a restricted offer over a prolonged time.

In this context, we have adjusted upwards our projections for the average copper price from US$ 3.8 to US$ 4.0 per pound for 2021 and from US$ 3.6 to US$ 3.8 for 2022, underlining a risk balance biased upwards.

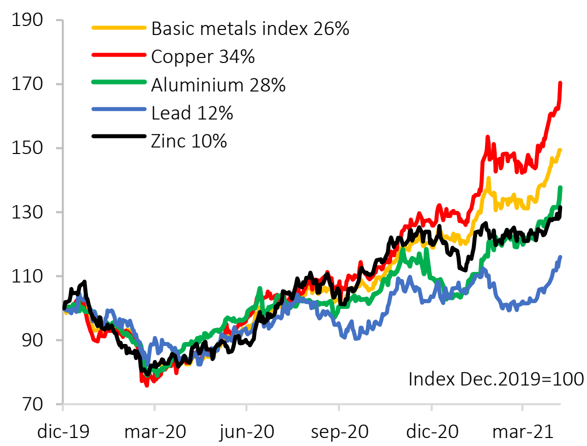
The oil price has also rebounded at the better economic figures of primary consumers, alongside the substantial rise of air transport fuel in the US (20% in April). This has allowed maintaining prices in their superior range at US$ 65 per barrel for the WTI. Like copper, some of the leading investment banks have recently issued favourable reports that support the significant increments to prices, particularly towards the northern summer season, where a considerable leap in holiday travel and subsequent fuel consumption is expected. In our case**, we also reviewed estimates upwards, and we anticipate a price share between US$60 and US$63 per barrel average for 2021 and 2022, respectively (prior levels being US$57 and US$60 per barrel)**

Prices of primary commodities continue to climb



Source: Bloomberg and Santander

Copper price reaches its historical maximum and stands out among other metal commodities

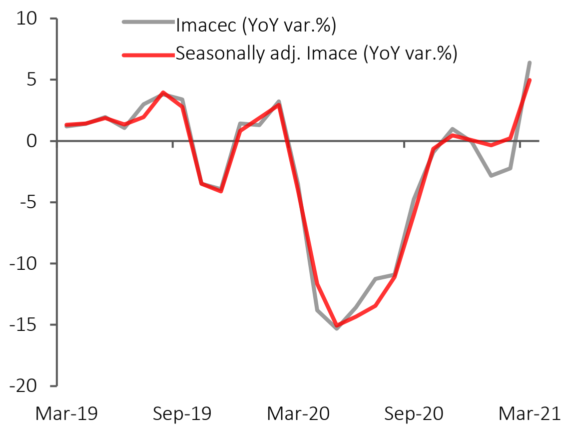


Source: Bloomberg and Santander

Local activity suffers under new lockdowns, but it could recover more quickly during the second half of the year.

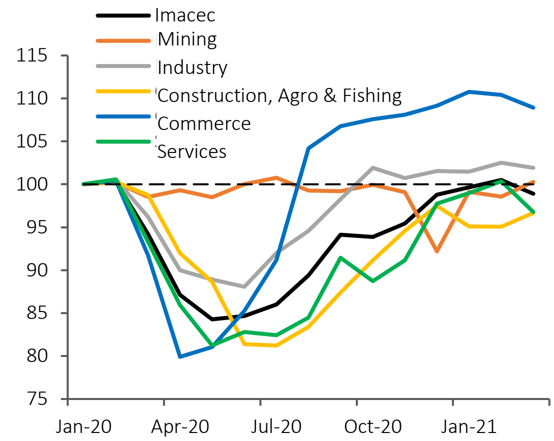
The low comparison bases have led to solid growth in March's IMACEC (6.4%). Even though this figure settled above expectations (4.5% Bloomberg), the statistics revealed a significant reduction over February (-1.6% MoM seasonally adjusted), affected by the confinement measures starting this month. All things considered, the drop was substantially lower than a year ago at the pandemic's beginning, reflecting the reduced intensity of mobility restrictions and the improved adaptation of several sectors to the new context. With this result, the GDP of the first quarter has preliminarily marked a 0.5% growth (the official figure will be known the 18th of May, with the National Accounts publication.

A solid rise in the activity's annual growth due to low comparison bases



Source: BCCh and Santander

Sanitary measures have led to a contraction of activity compared to February

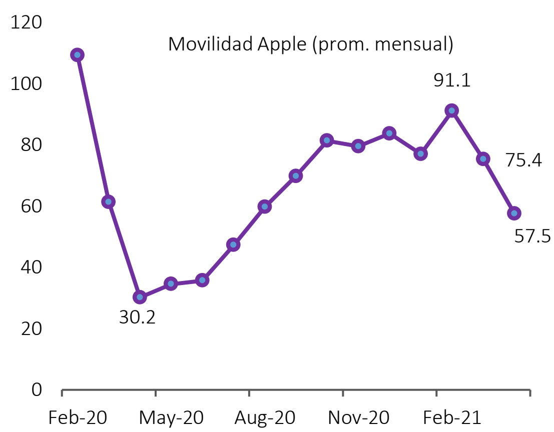


Seasonally adjusted series (Jan-20 = 100)
Source: BCCh and Santander

At a sectoral level, the strong dynamism exhibited by commerce continues to stand out, along with the recovery at the margin of construction and agricultural sectors. Services in the meantime have once again contracted, affected by social distancing.

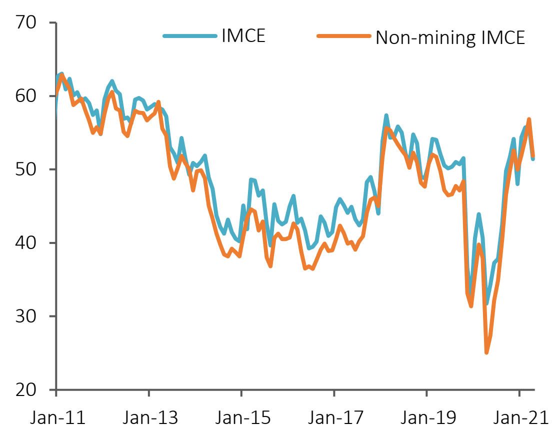
During April, the pandemic's progress hardened confinement measures driving 90% of the population under phase 1 during the month. This again impacted activity as made apparent by the various indirect indicators (Apple Mobility Trend Reports: 57% vs 75% in March; Business Confidence Index IMCE: 51 vs 56 in March; power generation -3.2% MoM seasonally adjusted), which is why we estimate that the Imacec would have had a fluctuation close to 4% MoM seasonally adjusted. Overall, **the low comparison base will make year-on-year growth to settle around 11%.**

Mobility diminished in April, but less compared to last year



% Variation in terms of the baseline (Jan/Feb 2020)
Source: Apple Inc. and Santander

Business Confidence was moderately impacted

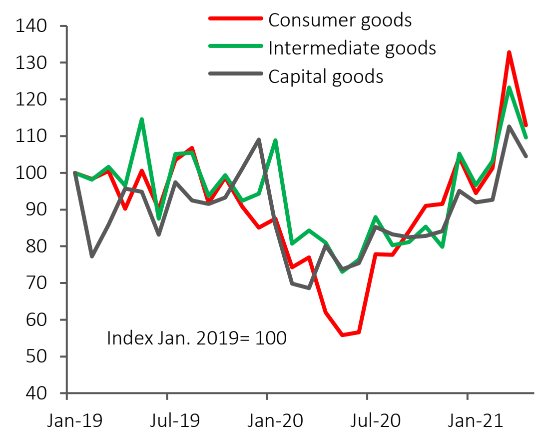


Index 50 = neutral
Source: BCCh and Santander

Starting May, we will see a gradual recovery of activity as social distancing measures are relaxed. During the third quarter, as the vaccination of a substantial fraction of the population is achieved, we could see a more significant opening of the economy that could lead to a faster recovery. We anticipate that the year's GDP will grow by 6% to 7% in this scenario.

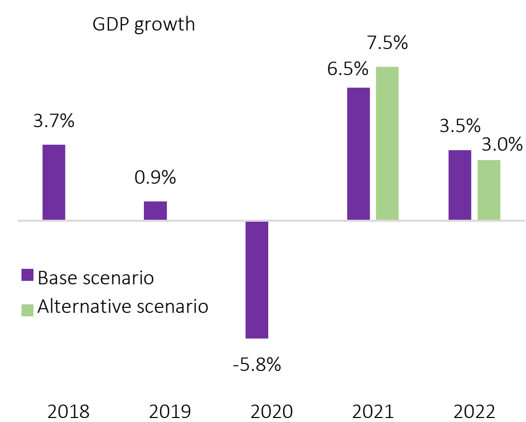
Even though there are risks on the downside for this projection due to the sanitary situation, recent liquidity injections to households and the fiscal support measures in place allow the possibility of a speedier recovery. Indeed, we estimate that the available income for households could surge above 60% during the second quarter, which is added to the liquidity pooled in current accounts. These resources could be redirected into consumption quickly if uncertainty concerning the pandemic is reduced. The solid growth of imports in recent months indicates that businesses have already been preparing for more robust demand. Thus, we do not rule out that we might see an increase in the acceleration driven by a more buoyant consumption in the short term, leading the economy to close the year in a range between 7% and 8%.

Solid recovery of imports suggests a more vigorous demand



Source: BCCh and Santander

We maintain our baseline scenario, but we consider plausible further growth



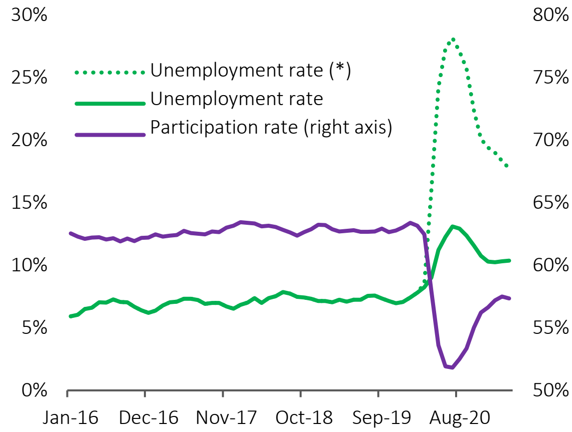
Source: BCCh and Santander

Labour Market deteriorates further at the margin.

The labour market has remained stagnant, with high unemployment and a significant employment gap over pre-pandemic levels. In March, the unemployment rate showed a slight rise (10.4% vs 10.3% in February), affected by seasonal elements and new lockdowns, which led to a further contraction in the employment and labour force. Despite the activity's recovery, a stagnation of job creation had been observed already in the previous months, and by March, close to 900 thousand fewer people were working than before the pandemic. A considerable portion of this fall corresponds to informal employment, even if it represents a lesser proportion of total employment.

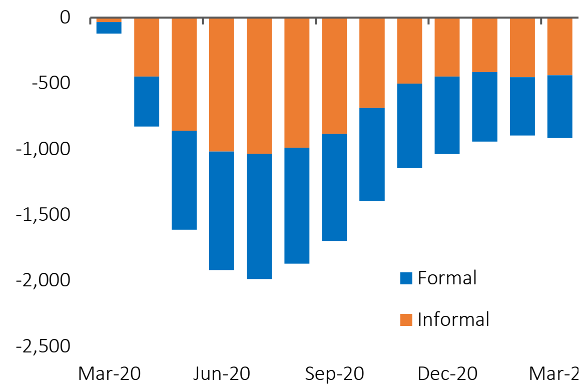
Underlying the weakness in the labour market are both offer and demand components. Work participation remains very low (57% versus 63% before the pandemic) due to the difficulties posed by pursuing a job in the sanitary context. According to the INE survey, concerning the rise of those claiming they are not seeking employment, a significant percentage manifested their reasons as "permanent family responsibilities", " health reasons", or because "they are studying".

The unemployment rate has remained subdued by a historical drop in work participation



(*) Unemployment estimated using the historical rate of participation
Source: INE and Santander

Employment remains well below its level before the pandemic

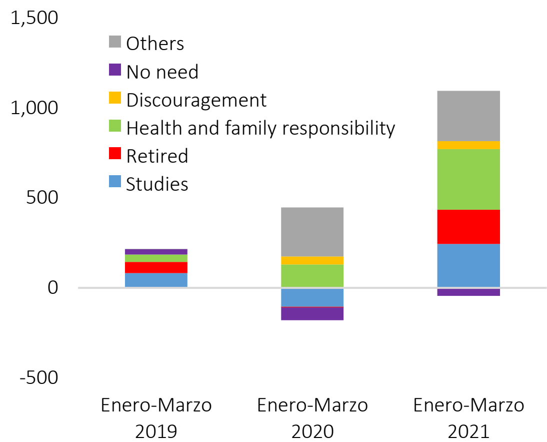


Source: INE and Santander

Labour demand has experienced a slight recovery, but it is still not vigorous enough to absorb unemployment and the potential new labourers when people who have left the workforce reincorporate. Indeed, the vacancy index has risen substantially, though only marginally above its pre-pandemic levels, having retreated in the latest data. Something similar is happening to expectations of employment contracts made apparent by the IMCE. In the same line, the Business Perception Report of the Central Bank indicates that the still prevailing uncertainty has led to the postponement of plans to hire new workers, with only 40% of those surveyed manifesting they had plans to increase their staff during the year.

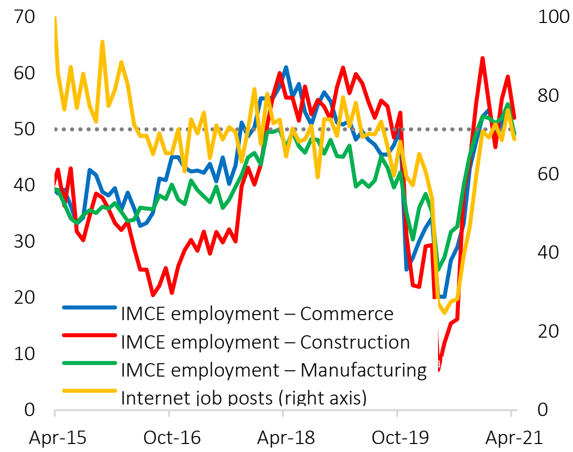
In the statistics to come, we will see an additional deterioration in the labour market given the confinement measures enacted in April and May so far. As lockdowns are eased, labour participation will gradually grow, and employment will rise. Even so, the unemployment rate will remain high during the whole year.

People are not looking for jobs over health reasons or familial obligations



Source: INE and Santander

Work demand has not been sufficiently restored to absorb the potential offer

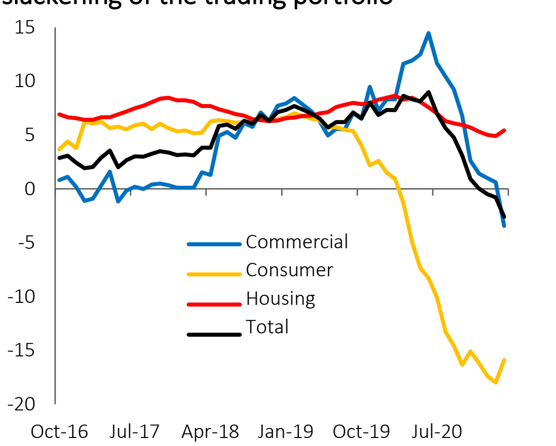


Source: ICARE-UAI, BCCh and Santander

Banking loans maintain low dynamism

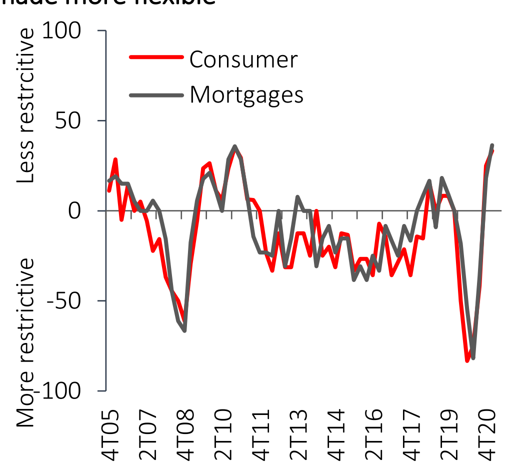
Banking loans contracted during March, affected by the slackening of the trading portfolio. Contrasting what happened last year, the buoyancy of the SMEs segment, underpinned by the FOGAPE Reactiva state guarantee program, which accrues loans over US$ 3,600 million, wasn't able to compensate for the loss in the large companies' segment. Meanwhile, loans provided for people displayed a slight recovery due to less restricted offer conditions and more robust demand, notwithstanding the pension fund withdrawals which, compounded to improved prospects for the economic activity, would underpin a greater credit flow in this segment.

Loans remain on negative grounds due to the slackening of the trading portfolio



Source: CMF and Santander

The offer conditions of loans for people are made more flexible



Source: Banco Central and Santander

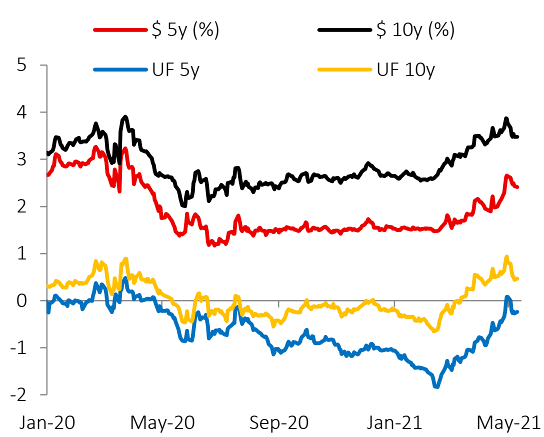
Local financial markets display relevant volatility after the approval of the third pension fund withdrawal

The reduction of infections and the incipient lockdown-easing led to improvements in risky-asset prices. Nonetheless, after the third pension fund withdrawal was approved towards the end of the month, an intense revision of the market prompted the IPSA to close with a 9% drop.

In turn, interest rates diverged from global trends and continued the rising trend they had led since January, increasing by 40 bps in April, with which they even surpassed the levels reached early on the pandemic (nominal 10-year rate: 3.87%). The increments of recent weeks were related to the eventual redemption of local bonds to front the pension fund withdrawals of approximately US$8,000 million.

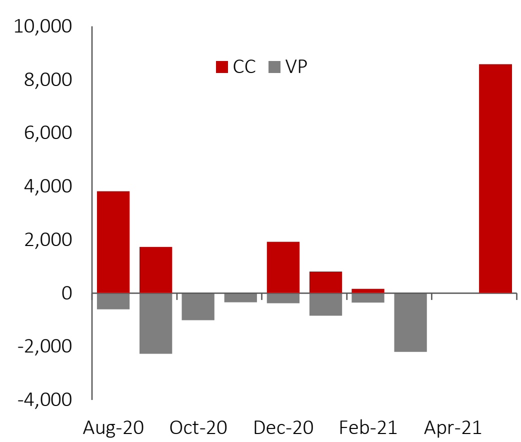
The volatility of interest rates motivated the Central Bank to reactivate its spot and forward purchasing program of financial instruments and led the Ministry of Finance to adjust its local debt issuance program. This allayed the pressure on rates that since the beginning of the Central Bank's purchasing program of financial instruments – which registered US$8,500 million in its first week- accumulated a fall around the 30bps.

The interest rates reached maximum levels in a year after the announcements of the pension fund withdrawals



Source: RiskAmerica and Santander

Active use of the asset purchasing program contributed to allaying pressure on rates

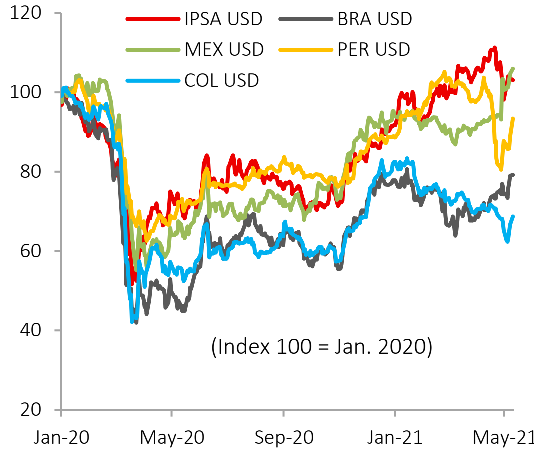


Source: Banco Central and Santander

The exchange rate maintained its solid downward trend, in line with the continued rise of the price of copper. Overall, the appreciation was less intense than other currencies of metal-exporting economies and, according to our estimates, its level stands at 6% above its fundamentals. This would relate to the imminence of the local political uncertainty.

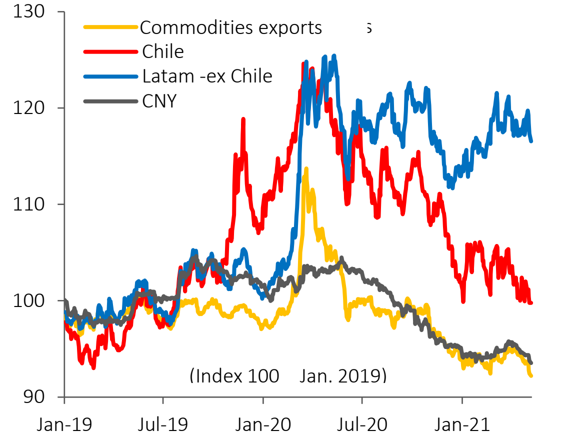
We uphold our outlook of the Peso's depreciation towards the year's end, but we have revised our projection regarding the previous report ($725 vs $750 previously), in line with a relatively higher level throughout 2021.

Local stock market displays recent recovery



Source: Reuters and Santander

The exchange rate remains above the level of several currencies of exporting countries



Source: Reuters and Santander

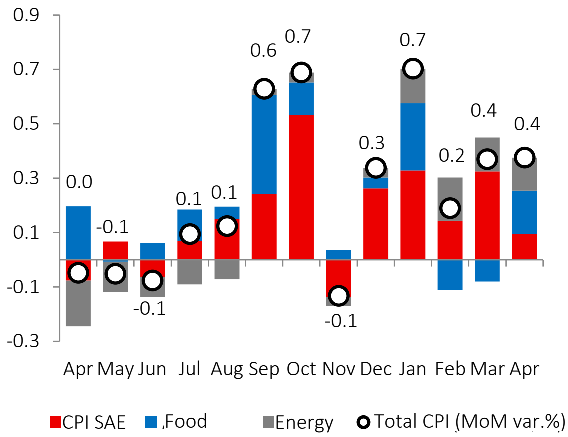
Despite April's surprise, inflationary pressures remain restricted

April's CPI (0.4%) surged slightly above expectations (0.3% in inflation insurances; 0.3% Bloomberg; 0.3% Santander), with a strong influence on food prices. The annual variation expanded up to 3.3% due to the low comparison bases. However, the CPI SFE that excludes food and energy (IPC SAE in Spanish) had a moderate variation (0.1% MoM, 2.9% YoY), reflecting how underlying inflationary pressures remain limited. This became particularly evident in services, which only ascended by 0.04% due to the restrictions suffered by several activities that require higher levels of social interaction.

Ahead, forces will drive prices in opposing directions. On the one hand, the third pension fund withdrawal will bolster consumption and exert upward pressures in months to come. Contrary to what happened with previous withdrawals, inventories of consumer goods are ampler this time- as can be drawn from the strong swell in imports during February, March, and April-, which is why the impact on prices could be less. Conversely, lockdowns will continue to cause several services not to operate with normalcy, leading to the allocation of their prices with a null variation. This is added to the downward trend in the exchange rate, which will restrict possible hikes in commodities prices.

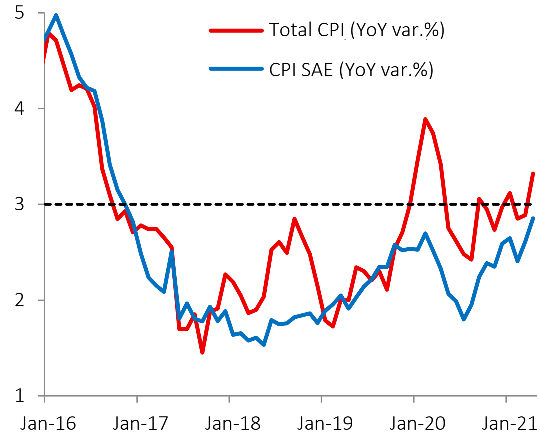
In light of the above, we uphold our projection that the CPI in months to come will experience moderate variations, despite which low comparison bases will cause the annual variation of prices to hover above 4% mid-year, to later descend into values ranging between 3% and 3.5% by the year's end. These projections do not consider the impact of the constitutional reform being discussed in Congress over taxing high equities, which would include a temporary VAT reduction. If approved, there would be a relevant downward pressure over the CPI in the short term, which would be reversed over the course of months.

The underlying CPI displayed a restricted expansion in April



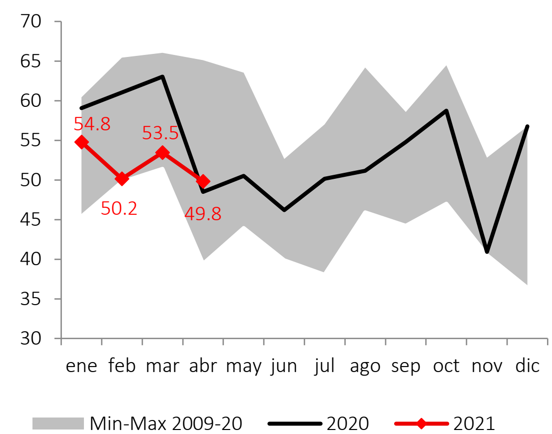
Source: INE and Santander
CPI SAE= CPI sans food and energy

The annual inflation rose due to low comparison bases and the rebound on food products



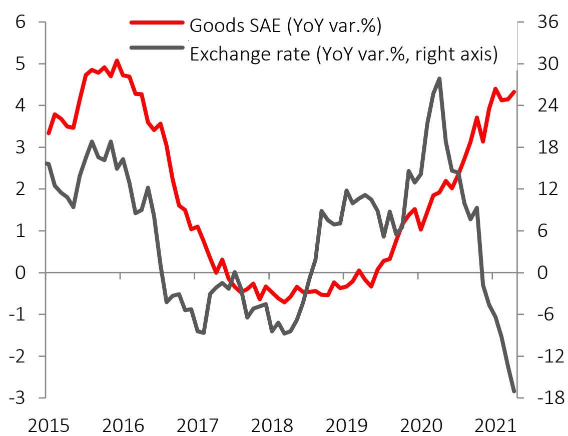
Source: INE and Santander

Inflation dispersion remains low



Source: INE and Santander

The exchange appreciation puts a lid on the prices of commodities



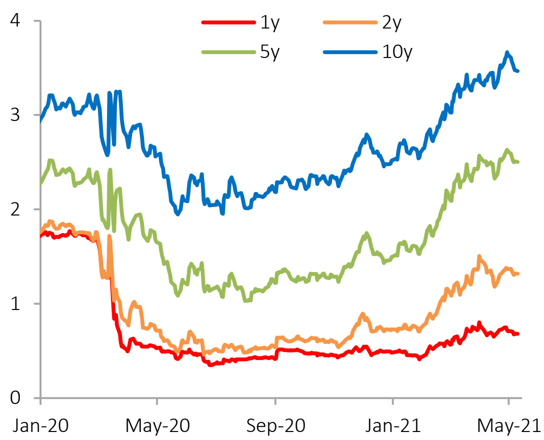
Source: INE and Santander

We maintain our outlook of an unchanged MPR throughout 2021, but the possibility of the process beginning earlier emerges.

Our baseline scenario estimates the economy will initiate a more sustained climb towards mid-year, in what will be a gradual process subject to relevant uncertainty levels. With this, the capacity gaps will remain ample for a prolonged time, including a relatively weak labour market. This, added to the appreciation of the Peso, will contain inflation in the short term. Thus, **we estimate that the Central Bank will keep the MPR unchanged during the year to begin a rising process in early 2022,** once there is more certainty that the recovery process is solid. Raising rates too early could entail the risk of imposing an unnecessary hamper in the economy, whereas if there was the risk of overheating, the possibility of accelerating the stimulus withdrawal always remains.

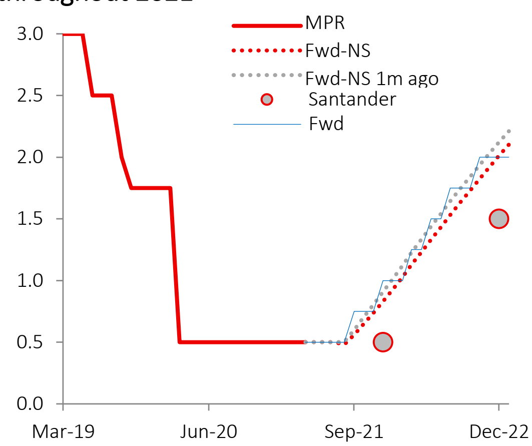
Overall, there is the chance that the Central Bank will initiate the process of raising rates earlier. The profuse liquidity provided by the pension fund withdrawals that is still available, alongside the new withdrawal and the concretion of fiscal support measures during the second quarter, will involve a strong growth of the average available household income. If the sanitary situation improves quickly and dispels parts of the uncertainty, this higher income could be directed into consumption, accelerating the recovery pace and pressuring prices. If this situation occurs, the Council may need to consider raising the MPR towards the end of the year. Swap rates point precisely towards its first raise during 2021's last quarter.

One year swap rates have recently settled down



Source: Reuters and Santander

We estimate that the MPR will remain at 0.5% throughout 2021



Source: Reuters, Banco Central and Santander

The elevated price of copper will help public finances, but legislative discussion introduces uncertainty.

According to our estimates, the higher copper price will cause fiscal incomes to substantially grow during the year by around 25%. In turn, different initiatives to increase households support have progressed. Alongside extending the Emergency Family Income (IEF) and the Middle-Class Bond, the opposition party has proposed moving towards a basic universal income. **These measures will drive public expenditure to display an elevated expansion for its second consecutive year. This is why we estimate the deficit will close at around 4.5% of the GDP.**

Several different initiatives to fund fiscal support for households have been born within Congress. On the one hand, the Constitutional Reform project regarding a one-time tax on people with high equities -as recorded in June 2020- was approved in general terms by the Chamber of Deputies and reviewed by the Constitutional Commission. In its current form, it consists of a tax amounting to 2.5% of the total of equities surpassing the US$ 22 million, that according to this motion's proposers, should accrue close to US$4,000 million. Nevertheless, the recent international experience indicates this figure could be considerably lower. On the other hand, official party deputies added an amendment to this project which seeks to temporarily lower the VAT applied to food products, fuel, sanitary products, and to some services (of 19% to 10% and, in the case of some staple food along with books and medication, of 19% to 4%). These reductions would be in force throughout 2021 and

2022, and according to our estimates, could undermine fiscal resources between US$2,500 million and US$ 3,000 million in one year of enactment.

Even though the Constitutional Reform procedures have progressed in the Chamber with the help of the different sectors, the Government has not backed up these proposals and has called to move forward in other measures such as the elimination of tax exemptions (tax over capital earnings and VAT loans to construction) and a raise on luxury taxes.

In turn, regarding the record copper prices, the Chamber reintroduced a mining royalty project that had already been submitted in 2018. This entails taxing over the number of annual sales of mining companies- which is different from the current royalty calculated over operational profit- and with a marginal rate that depends on the price of this metal. They have a 3% baseline rate, which climbs up to 15% if the average price of the metal surpasses the US$ 2 per pound. Afterwards, it is increased every 50 cents with rates of 35%, 50%, 60% and 75%. This last is applied when the average price exceeds US$ 4 per pound. The royalty in force applies rates ranging between 5% to 14%.

In terms of fundraising, royalty promoters estimate this could reach US$ 7,000 million with prices similar to the current ones. Nevertheless, the taxing invariability precludes many companies from being subject to the taxing raise up to 2023.

It must be highlighted that both projects contemplate a specific use of accrued amounts: the tax to equity funds would be destined to finance the basic universal income to weather the pandemic, and the royalty one would finance development funds for mining regions, as well as financing compensation or environmental mitigation projects. Even though the proceeds figure with specific ends is beyond the constitutional framework, if approved, the impact on the fiscal deficit could be relatively neutral, as long as the highest proceeds are spent on specific items.

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Macroeconomic Projections

National Accounts	2014	2015	2016	2017	2018	2019	2020	2021 P	2022 P
GDP (real var. % YoY)	1.8	2.3	1.7	1.2	3.7	0.9	-5.8	6.0/7.0	3.0/4.0
Internal demand (real var. % YoY)	-0.5	2.5	1.8	2.9	4.5	1.0	-9.1	9.3	5.2
Total consumption (real var. % YoY)	2.9	2.6	3.5	3.6	3.7	0.8	-6.9	7.5	4.2
Private consumption (real var. % YoY)	2.7	2.1	2.7	3.4	3.8	1.0	-7.5	8.2	4.4
Public consumption (real var. % YoY)	3.8	4.8	7.2	4.6	3.3	-0.2	-3.9	5.1	2.9
Gross fixed capital formation. (real var. % YoY)	-4.8	-0.3	-1.3	-3.1	5.1	4.4	-11.5	12.5	3.0
Exports (real var. % YoY)	0.3	-1.7	0.5	-1.5	5.3	-2.6	-1.0	2.9	0.5
Imports (real var. % YoY)	-6.5	-1.1	0.9	4.6	8.1	-2.4	-12.7	12.0	7.2
GDP (US$ billions)	260.6	244.3	250.6	277.1	298.9	282.7	255	300	307
GDP per capita (US$ thousands)	14.6	13.6	13.8	15.0	15.9	14.8	13.0	15.3	15.5
Population (millions)	17.8	18.0	18.2	18.4	18.8	19.1	19.5	19.7	19.7

Payment Balance	2014	2015	2016	2017	2018	2019	2020	2021 P	2022 P
Trade balance (US$ billions)	6.5	3.4	4.9	7.4	4.6	4.2	16.8	14.5	8.5
Exports (US$ billions)	75.1	62.0	60.7	68.8	75.2	69.9	71.7	82.5	78.5
Imports (US$ billions)	68.6	58.6	55.9	61.4	70.6	65.7	54.9	68.0	70.0
Current account (US$ billions)	-5.2	-5.7	-5.0	-6.4	-9.2	-10.5	3.4	-8.6	-9.1
Current account (GDP%)	-2.0	-2.4	-2.0	-2.3	-3.1	-3.7	1.3	-2.8	-3.0
Price of copper (annual average, US$/lbs.)	3.11	2.50	2.21	2.80	2.96	2.72	2.80	4.0	3.8
WTI oil price (annual average US$/bbl.)	93.1	48.7	43.2	50.9	64.8	57.0	39.0	60	63

Money and Exchange Market	2014	2015	2016	2017	2018	2019	2020	2021 P	2022 P
CPI Inflation (var. YoY, % by December)	4.6	4.4	2.7	2.3	2.6	3.0	3.0	3.3	3.1
CPI Inflation (var. YoY, average %)	4.7	4.3	3.8	2.2	2.4	2.3	3.0	3.5	3.0
CPI sans food and fuel inflation (IPC-SAE) (var. YoY, % by December)	4.3	4.7	2.8	1.9	2.3	2.5	2.6	2.7	2.8
CLP/US$ exchange rate (year's exercise)	607	707	667	615	696	745	711	725	735
CLP/US$ exchange rate (year average)	570	654	677	649	640	703	792	720	730
Monetary policy rate (year's exercise, %)	3.00	3.50	3.50	2.50	2.75	1.75	0.5	0.5	1.5
Monetary policy rate (%, year average)	3.75	3.06	3.5	2.7	2.52	2.48	0.8	0.5	1.1

Fiscal Policy	2014	2015	2016	2017	2018	2019	2020	2021 P	2022 P
Public expenditure (real var. % YoY)	6.4	7.4	3.8	4.8	3.5	4.1	11.0	9.0	-7.0
Central Government balance (% GDP)	-1.6	-2.2	-2.7	-2.8	-1.6	-2.8	-7.4	-4.5	-3.0
Central Gov. gross debt (US$ billions)	36.6	39.0	53.4	68.9	70.2	74.4	91.6	100.0	110.0

Source: BCCh, INE and Santander.

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