Local activity grows strongly, leveraged by exceptional fiscal impulse

The global recovery has encouraged financial markets, but new pandemic outbreaks and fears over inflation still engender concern.

Highlights

Global financial markets hover between optimism on recovery and caution at pandemic outbreaks. The leading stock markets have risen once again in circumstances where activity data remains favourable. However, fears over new infection outbreaks have caused drops in commodity prices, particularly oil.

Despite the inflationary pressures, long-term rates of leading countries have once again retreated, though they marginally reverted in the US. Markets have internalised that the inflation rise will be temporary and that the monetary stimulus will be maintained. Nevertheless, the likelihood of a tapering announcement by the Fed in weeks to come has increased.

The local economy accelerates, bolstered by consumption. June's Imacec (20.1%YoY) surprised on the upside, reflecting the impact of the third pension fund withdrawal and the Emergency Family Income (IFE). Better sanitary conditions and the strong fiscal expansion (public expenditure at 32% YoY in 2021, including the recent IFE extension) has led us to correct our growth prospect for the year up to a 9% to 10% range. The necessary fiscal consolidation will cause the economy to slow down substantially by 2022, with growth between 1% and 2%.

Employment remains stagnant. Even though the unemployment rate shrank to 9.5%, there is still a gap of 1 million fewer people working than before the pandemic. Demand for work has tended to recover, but the supply remains quite restricted – and has even decreased –, reflecting the impact of the confinement measures of months before and probably the indirect effect of liquidity injections in the incentive to seek employment.

Inflation accelerates. After two months of limited progress, July's CPI (0.8% MoM) scored above expectations. The rises not only reflected the strong buoyancy of consumption but also the higher prices of imported goods due to a more depreciated exchange rate and tighter supply chains. Pressures will continue in times to come, which is why we correct our inflation prospect for this year's end upwards to 4.5%.

The Central Bank would raise the Monetary Policy Rate to 1.5% towards the year's end. The activity's greater dynamism and the inflationary pressures would lead the Council to increase the rate by 25 bps in each of the meetings to come. In the medium term, the escalation will be more gradual, and the MPR will settle below the figures set by the swap rates.

CLAUDIO SOTO
Chief Economist
claudio.soto.gamboa@santander.cl

LORENA PALOMEQUE
Economist
lorena.palomeque@santander.cl

CARMEN GLORIA SILVA
Economist
carmengloria.silva@santander.cl

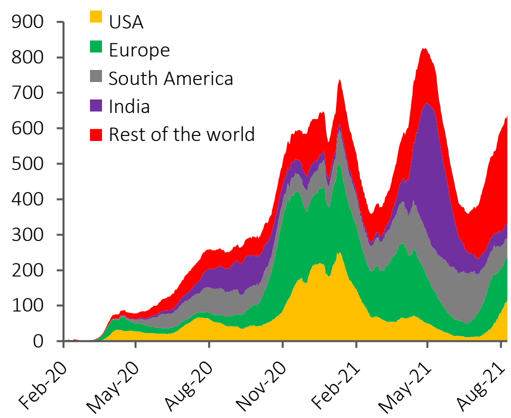
MIGUEL SANTANA
Economist
miguelpatricio.santana@santander.cl

FABIÁN SEPÚLVEDA
Economist
fabian.sepulveda@santander.cl

New Covid-19 outbreak adds a note of caution to global markets

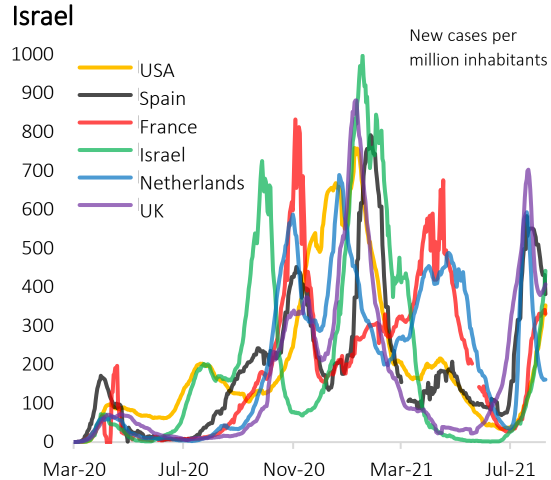
The spread of the Delta variant and a new wave of infections –with outbreaks in countries that had seemingly overcome the pandemic, such as the US, Israel, and France – has engendered concern in financial markets. Nevertheless, the ample reach of the vaccination rollout in several of the affected countries has contained the severity of this new outbreak (mortality rates have remained relatively low), which has allowed the gradual reopening of world economies to continue.

New wave of infections due to Delta variant spread



Source: Our World in Data and Santander

Focal points of concern in the US, France and Israel



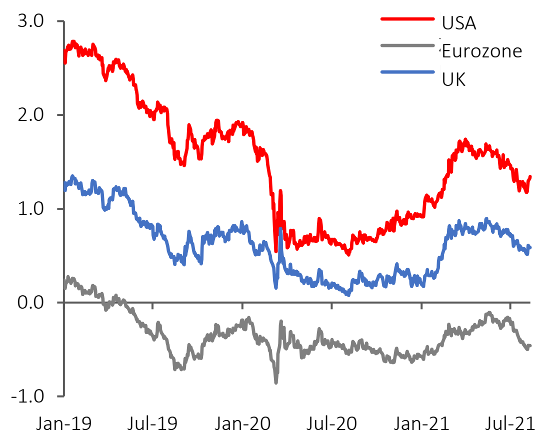
Source: Our World in Data and Santander

In turn, activity data retrieved throughout the month continues to hint at a relevant expansion of the world's economy (global composite PMI: 55.7 vs 56.6 before), which has underpinned the leading stock markets (global MSCI: +1%; Eurozone: +2%; US: 1%). Notwithstanding, the stocks of emerging economies (-2%) have suffered due to the pandemic's evolution and idiosyncratic elements in Latin America (-3%). In the case of China (-2%), regulatory changes affected some sectors specifically.

Inflation continues to be a cause of concern, as actual figures in developed countries –particularly the US, where June's CPI settled at 0.9%, above the 0.5% expected – have surprised on the upside. This phenomenon is explained by a recovery in demand, tighter supply chains and high fuel prices. Even though the Federal Reserve (Fed) has insisted on considering these increments temporary, there is still worry that this could be more permanent. When this report was issued July's CPI data was expected, which was estimated at 0.5%. A substantial figure above this one could create relevant movements in the markets.

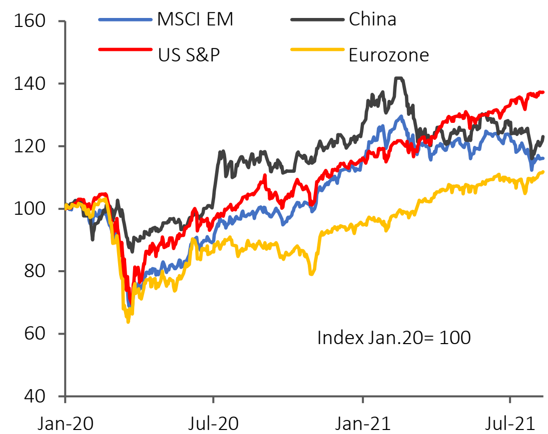
Leading central banks have ratified their disposition to maintain their monetary stimulus for a prolonged time. This has impacted long-term interest rates, which have shrunk again (-5bps average since our last report), though they have marginally reverted in the US. Despite the lack of surprises during Fed's last meeting, the progress in reaching their goals in terms of price stability and maximum employment – highlighted in their report—alongside the recent hawkish-bias statements of some of its members anticipate that new announcements will be made soon regarding the reduction of the asset purchasing program. In this context, the dollar has once again appreciated, and as of this report's issue date, the dollar index remained close to 93 points (DXY: -0.9%)

Long-term rates of leading economies fall once again, though they marginally reverted in the US



Source: Bloomberg and Santander

Leading stock markets keep rising



Source: Bloomberg and Santander

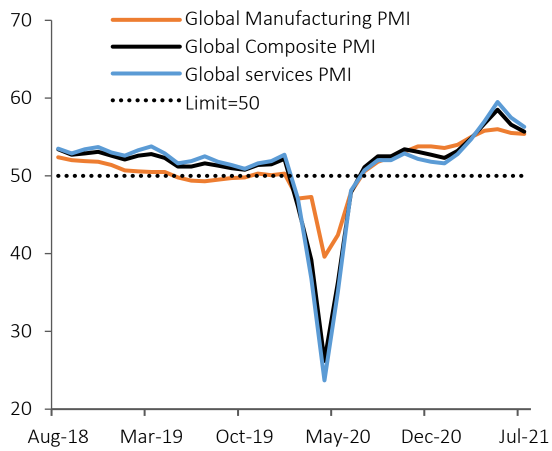
In the US, data of the second quarter had a positive reading despite the GDP growing less than projected (6.5% annualised QoQ vs 8.4% expected) due to the solid growth of personal consumption (11.8% vs 10.5% expected). Likewise, activity indicators remain marginally favourable (July's Markit Manufacturing PMI: 63.4 vs 63.1 expected; July's services ISM: 64.1 vs 60.5 expected). Meanwhile, the unemployment rate fell more than expected (5.4% vs 5.7%), with the development of an important job post creation (943,000 vs 870,000 projected).

As of the date this report was issued, the US Senate approved (with the Republican support) Biden's infrastructure plan for US$ 1 trillion, which considers investments in large public works projects and involves the provision of additional drive to the activity and employment. The definite approval from the lower house is still pending, but the markets received the news with optimism.

In Europe, the 2Q21's GDP had a 2% growth (1.5% expected) after two consecutive quarterly falls. Still, even though the manufacturing sector maintains its optimism, there are signs of caution in services (manufacturing PMI: 62.8 vs 62.6 expected; services: 59.8 vs 60.4 projected), particularly amidst the resurgence of infections and likely effects in programmed reopenings. The ZEW expectations survey also reflected this, dropping to an annual low during August (42.7 vs 61.2 the month before).

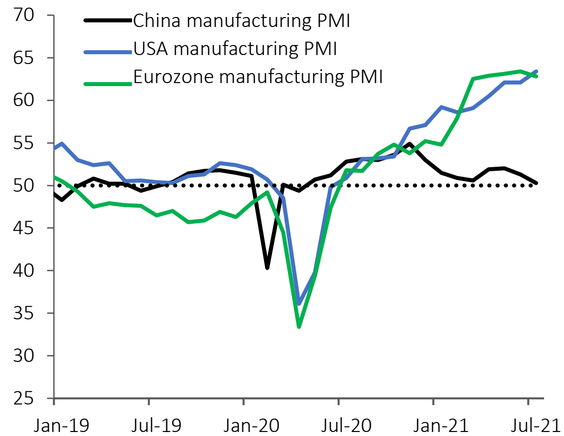
In the case of China, idiosyncratic factors –regulatory reforms that would alter the business model of private companies, Covid-19 outbreaks and slightly less solid activity data than anticipated, particularly in the manufacturing sector—, have led to a downwards correction in their growth prospects for 2021 (IMF: 8.1% vs 8.4% in April). Inflation figures surprised during July (CPI: 1.0% vs 0.8% expected; PPI 9.0% vs. 8.8% expected), and while foreign trade still maintains a great buoyancy, it also disappointed in its last records (exports: 19.3% YoY vs. 20.0% expected; imports: 28.1% vs. 33.3% expected)

Global activity maintains solid expansion



Source: Bloomberg and Santander

Concerns over the slowdown of China's manufacturing sector increase

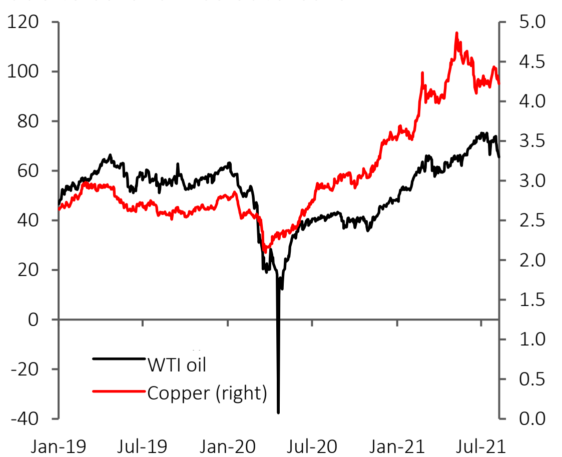


Source: Bloomberg and Santander

Commodity prices are corrected due to the spread of the Delta variant.

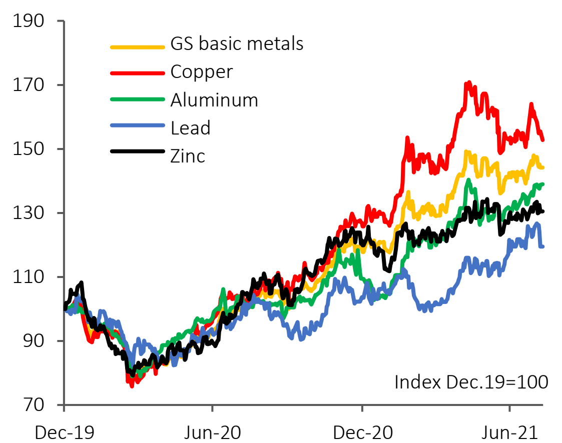
The surge in infections related to this variant has intensified the uncertainty about fuel demand's recovery, mainly due to the reduction of mobility within China's larger cities. This has been reflected in the WTI price, which was corrected downwards to levels close to US$65 per barrel. Moreover, this occurred in the context of unexpected and significant increment of crude oil inventories in the US.

Prices of commodities are corrected downwards due to coronavirus outbreaks



Source: Bloomberg and Santander

Despite shrinking, the price of copper remains high



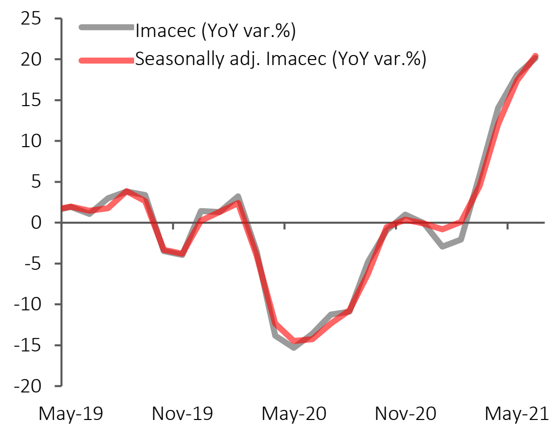
Source: Bloomberg and Santander

The price of copper, meanwhile, has been affected by new coronavirus outbreaks. Still, the possibility of a strike in Escondida (the leading copper mine globally, with 1.4 million metric tonnes per year) has prevented further corrections to this metal. As of this report's issue date, the process was in a mediation phase with the Labour Ministry, with a trading price of around US$ 4.27 per pound.

The local economy grows above the expected in June, driven by consumption

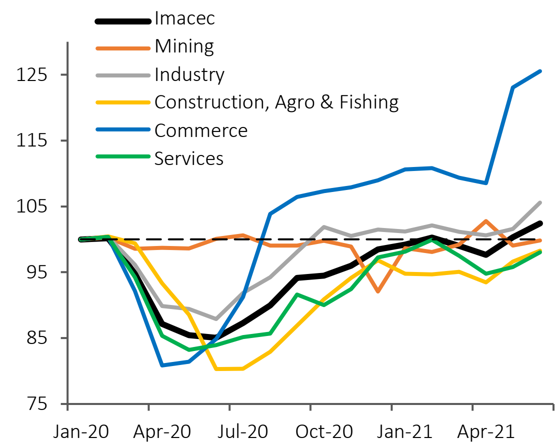
While the population under lockdown increased during the month, provoking a slight reduction in mobility, the Imacec surprised with a 2.1% monthly increment (20.1% YoY). Even though all sectors showcased progress, the intense upsurge in commerce stood out, underpinned by the dynamism of consumption linked to fiscal support and the third pension fund withdrawal. Services, in turn, had an important recovery despite social distancing measures, though they still remain below their levels before the pandemic.

Imacec expands at a record rate



Source: BCCh and Santander

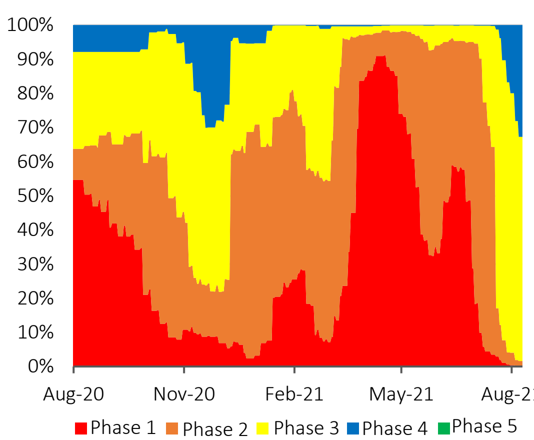
Trade once again rises strongly



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

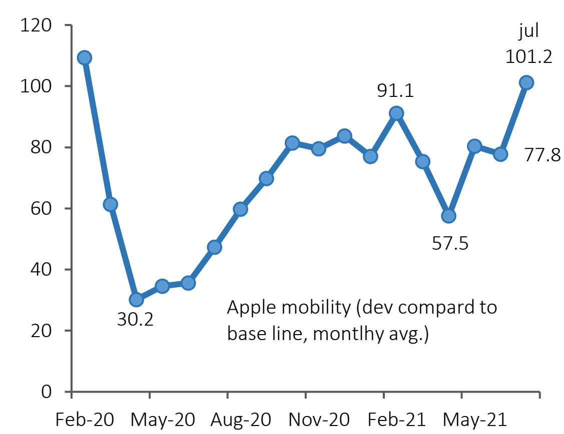
During July, the substantial improvement to the sanitary situation allowed a rapid deconfinement, and, for the first time, mobility returned to the levels before the pandemic. With this, a series of services began operating with fewer restrictions, with which the sector would have continued to recover. Trading in the meantime continued quite buoyant, as indicated by some preliminary indicators (new car sales: 7.7% MoM), and business confidence measured by the IMCE climbed and reached its peak since 2013. These figures have led us to estimate that the month's Imacec would have experienced a new monthly growth, placing its year-on-year growth at around 17%.

The improving sanitary situation has allowed a quick deconfinement since mid-July



Source: Health Ministry and Santander

Mobility returned for the first time to the levels before the pandemic began

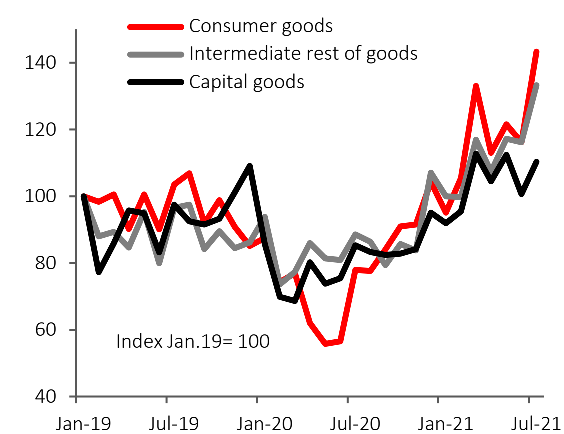


Source: Apple and Santander

The marginal dynamism displayed by the economy suggests that annual growth rates for the third and fourth quarters will be higher than previously considered. This is compounded to the Emergency Family Income (IFE) extension for October and November, thus providing additional support to consumerism in the latter half of the year. Given the above, we update our growth estimate for the year to a 9% to 10% range, somewhat above the Central Bank's forecasted figure during their Monetary Policy Report in June. This scenario incorporates the quick deconfinement progress (at this report issue's date, the population under Phase 3 and 4 amounted to 56% and 43%, respectively) and assumes the sanitary situation will remain positive.

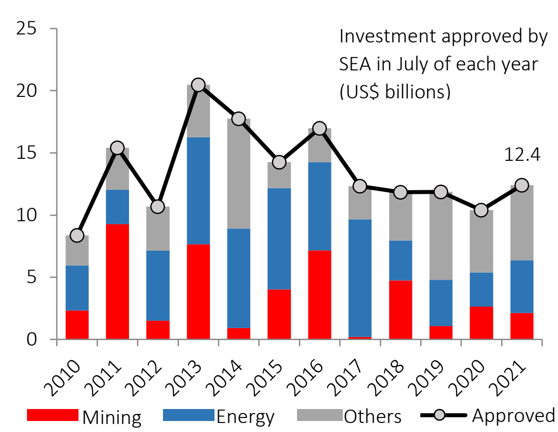
There are risk elements for future prospects that point towards both directions. On the one hand, there is the likelihood of pandemic outbreaks leading to new lockdown measures, with the subsequent impact of activity reduction. On the other hand, a possible fourth pension fund withdrawal would provide additional support to consumerism, which could speed up the economy further towards the year's end.

Imports of capital goods moderately recover



Source: BCCh

Approval of projects by the SEA (Environmental Assessment Service) remains at levels similar to those of recent years



Source: Santander based on SEA

Nevertheless, it is essential to highlight that the current consumption levels are not sustainable due to the employment situation. Therefore, once the process of normalising support measures takes place, the economy will require to be underpinned by other demand components, particularly investment. For this, the local political climate and favourable financial conditions are key.

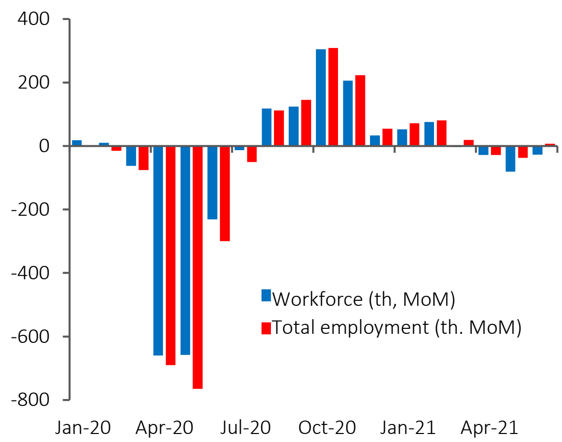
Until now, imports of capital goods seem relatively buoyant, but the Central Bank's Business Perception Report alerts that equipment investments are linked to the replacement of obsolete stock or projects delayed in 2020, not to new initiatives. Meanwhile, considerations in terms of the cadastre data of the Corporation of Capital Goods as well as the projects approved by the Environmental Assessment Service (SEA) do not allow the anticipation of a relevant acceleration in investment in coming years.

Given the above and considering that fiscal policy will have to begin an aggressive consolidation process once the pandemic is overcome, we expect the activity will suffer a relevant curbing next year. Added to this year's high comparison bases, this has led us to forecast a growth range between 1% and 2% for 2022.

Employment stagnates, and the labour supply once again shrinks.

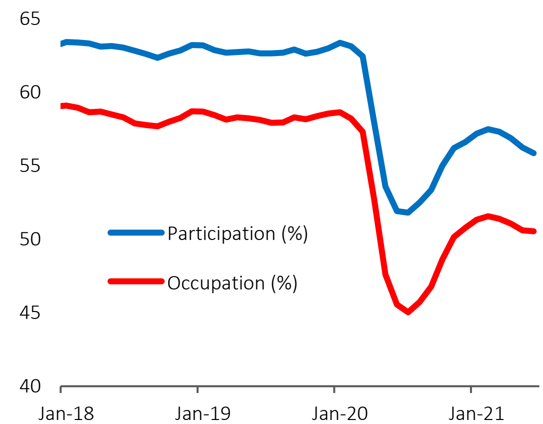
The labour market remains stagnant, with null job creation and a new drop in the labour participation rate during June, with 50 thousand fewer people in the workforce. The latter drove the unemployment rate to shrink to 9.5% (10% in May). Encumbered posts, in the meantime, remain significantly below pre-pandemic levels (1 million fewer employed people than in February 2020), which has been reflected in an incumbency rate amounting to 50%, below the 58% figure at the beginning of 2020.

Employment remains stagnant



Seasonally adjusted series
Source: INE and Santander

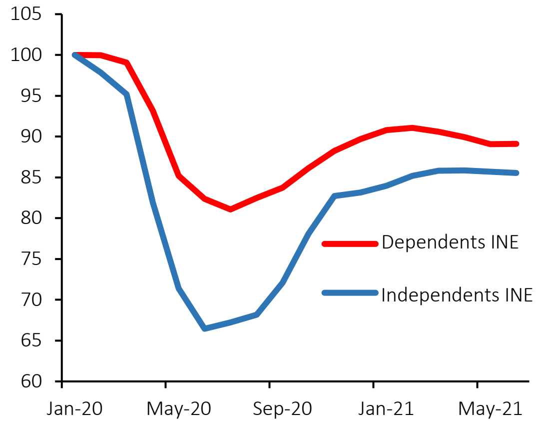
Workforce descends once again



Source: INE and Santander

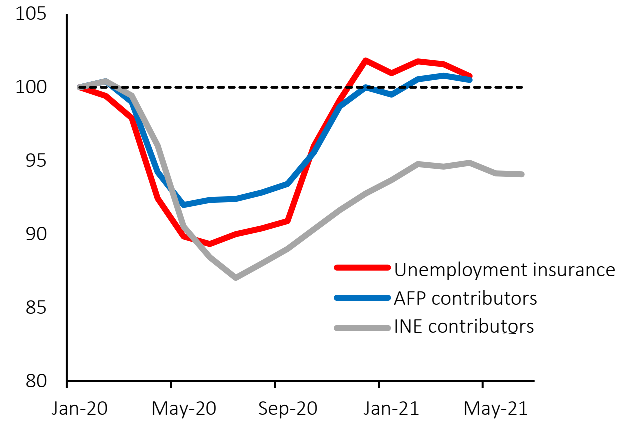
The recent employment stagnation has taken place in the different occupational categories. Dependent employment (wage labour) has tended to retreat since the beginning of the financial year, partly affected by seasonal factors, while independent employment has remained stable since late 2020, at substantially lower levels than those of a year and a half ago. Administrative records (AFP contributors and unemployment insurance) had a quicker recovery after the initial pandemic impact, but they have shown no further progress in several months.

Employment stagnation is observed in different occupational categories



Source: INE and Santander

Administrative records also display employment's low dynamism during this year.

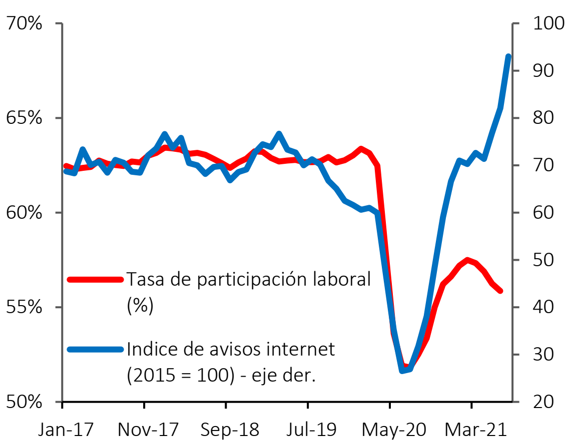


Source: INE and Santander

The reasons for low labour participation are varied and include the fear of infection, the uncertainty over the duration of confinement processes, and the requirements of household care duties. Nevertheless, the effect of liquidity injections on the incentive to seek employment cannot be ruled out.

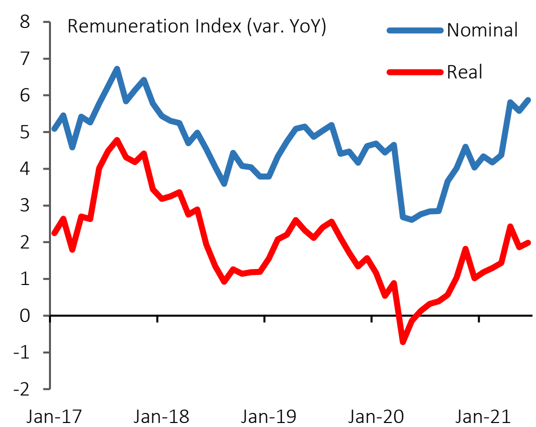
Meanwhile, a significant rebound in demand for jobs has been observed, as suggested by the index of internet job ads gathered by the Central Bank. This indication suggests that the low level of employment in recent months is related to a restricted labour supply rather than to still insufficient demand. This is coherent with the upward pressures displayed by wages, which have grown at a marginally real rate of 2%

The gap between Internet job posts and labour participation widens



Source: BCCh, INE and Santander

Wages recover in line with the tightness in labour supply



Source: INE and Santander

In this context, the government announced a "Labour IFE" that grants a 50% subsidy with a $200 thousand cap (60% with a 250 thousand cap in the case of women) for four months. The amounts involved in this new subsidy are significant, which is why they might have a relevant impact underpinning employment.

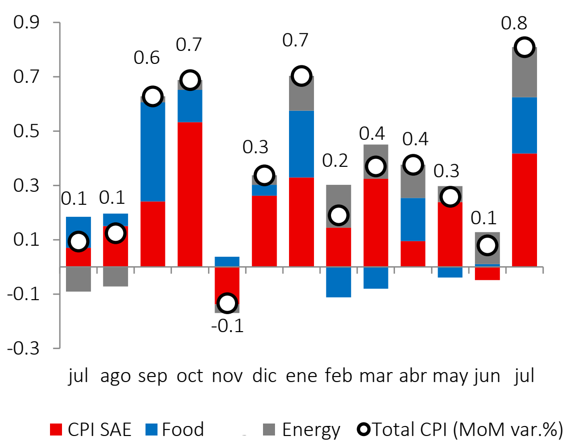
A significant increment in July's CPI reflects a substantial rise in consumption

July's CPI (0.8%) surprised on the upside, reaching quite above market expectations (0.4%), driven by transport and food components (0.22 pp and 0.21 pp of GDP growth, respectively). The CPI sans Food and Energy (IPC SAE) expanded by 0.6%, while the CPI without volatile components –the new measure for underlying inflation that the National Statistics Index (INE) started publishing in accordance with the Central Bank's methodology – rose by 0.7%. With this, and given the low comparison bases (in 2020, July's CPI was 0.1%), the year's inflation reached 4.5%, its most significant record in five years.

The increment in the transport division was related to fuel prices and new car sales. In the case of the food division, the hikes were generalised, with beef standing out. Beyond products with higher GDP growth, 58% of the food basket rose throughout the month, placing the diffusion index of prices at peak levels in July.

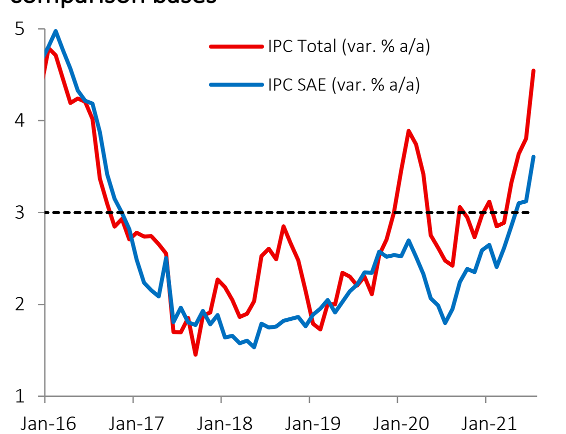
These results reflect the substantial growth of consumption and account for higher pressures to costs of imported goods due to the depreciation of the exchange rate and the price hikes to global manufacturing. This is explained by the disruptions to specific global chains (for example, the shortage of microprocessors affecting goods with higher technological components, with the automotive industry standing out), which will continue throughout this entire year.

Vigorous hike in July's CPI



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

Annual inflation reaches 4.5%, affected by low comparison bases



Source: INE and Santander

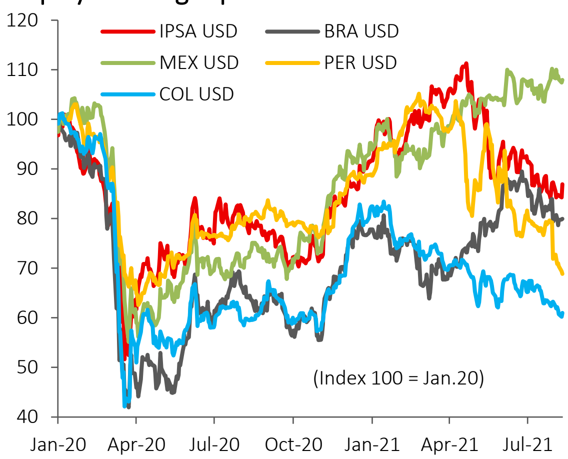
Given the above, it is likely that, beyond the still existing gaps in the economy, the pressure exerted over prices will be maintained for several months. In turn, even though fuels will drop during August due to Mepco's (Stabilizing Mechanism of Fuel Prices) parameter adjustment, in the future, they will once again climb, absorbing the increments to international prices of fuels observed thus far and the more depreciated exchange rate. Therefore, we have revised our inflation prospect for the year upwards, ending the year at around 4.5% according to our estimates.

Despite the improvement in sanitary conditions, local assets record new losses.

During the month, the local markets were under new pressures, notwithstanding the reduction of infection levels and the notable progress in the lockdown easing at a national level. The stock, after fluctuations, climbed by 2.5% during the month, nearing 4,350 points. However, it shrank by 2.2% if measured in dollars, in line with observed data of other countries in the region. In a context of further opening an economy that continues to grow quickly, the favourable results that leading companies started to publish have introduced an upwards bias to the Selective Stock Price Index (IPSA) in the short term. Nevertheless, a possible new pension fund withdrawal or domestic political factors could impinge against this in months to come.

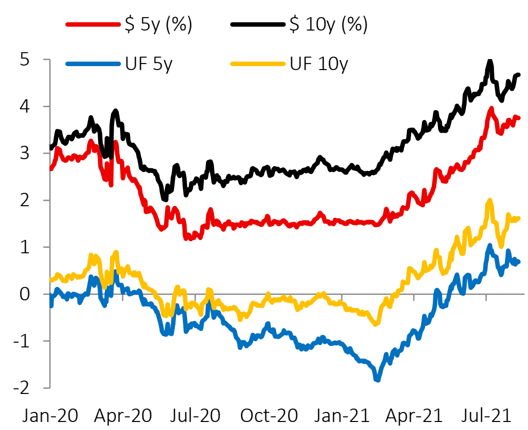
Nominal bond rates once again climbed in recent weeks, partially reverting the strong downwards corrections during the first half of July. When this report was issued, the 10-year benchmark was traded at 4.7%, 55bps over the lows recorded halfway through last month. In tandem, the long-term swap rates have recorded hikes of up to 40 bps MoM. By contrast, the indexed rates have exhibited reductions recently, reflecting the higher inflation expectations, particularly after July's CPI was known.

Like other markets in the region, the local stock displays a meagre performance



Source: Bloomberg and Santander

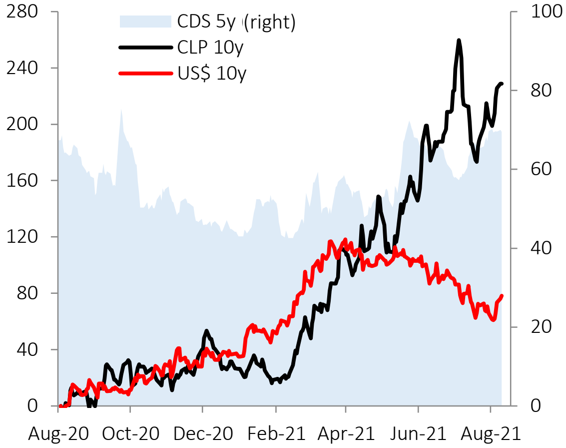
Nominal rates resume their upward trend



Source: RiskAmerica and Santander

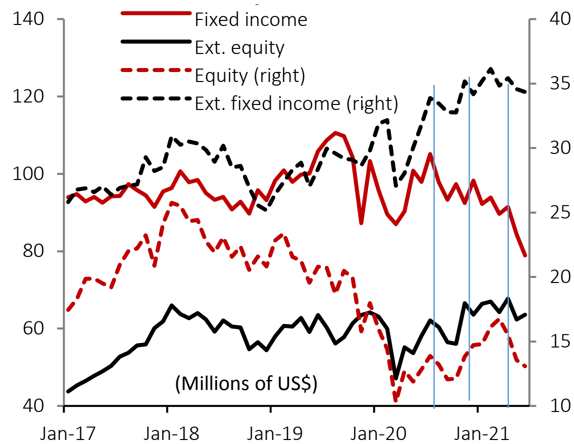
The higher rate levels are explained, in part, by the less expansive monetary policy prospect after the latest surprises on the upside of both the activity and inflation. Moreover, the uncertainty of the internal political process has lifted the country risk premium (CDS 5y reaches 70 bps), which has been furthered recently by the parliament's proposal of a fourth 10% pension fund withdrawal. As of the date this report was issued, Congress was initiating discussions regarding this project. If it comes to fruition, new flows of debt instruments would be pressuring short-term rates upwards, while the lower national savings would raise medium-term premiums.

The rise in rates is explained partly by the increment in the country risk premium...



Source: Bloomberg and Santander

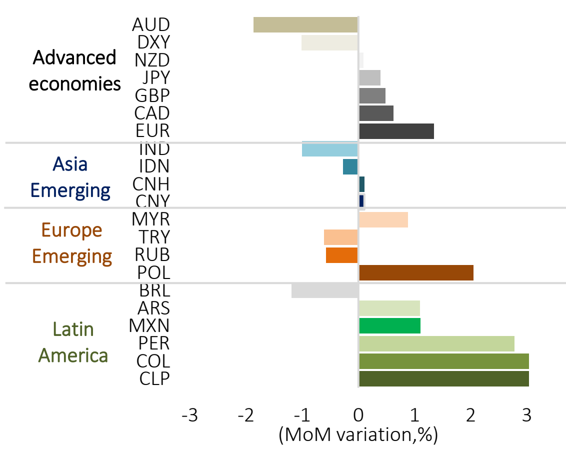
...and by the disinvestment in local fixed income of pension funds



Source: Pension Superintendence and Santander

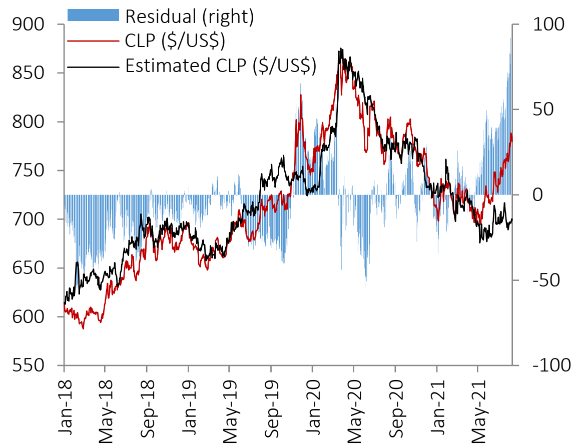
Most recently, the exchange rate was traded at $780 (+4% MoM), which neared its peak levels since October 2020. The local currency's weakness is explained partly by the strengthening of the dollar at an international level (DXY:93 points) and by the concern for the Chinese economy's evolution, even as the price of copper has, albeit some fluctuations, remained at levels akin to those of a month ago. Nevertheless, the depreciation goes quite beyond what is explained by its fundamental values, accounting for the impact of specific factors with an effect of almost $80.

The Peso is one of the currencies that has depreciated the most in the month



Source: Bloomberg and Santander

Movements to the exchange rate cannot be fully explained by its traditional fundamental values



Source: Bloomberg and Santander

We foresee that the exchange rate will remain relatively stable and end the year at around $780. On the one hand, the rise in the rate spread would favour the Peso appreciation after the monetary normalisation process begins. So would a higher supply of foreign exchange after a rising proportion of foreign debt issuances in order to front the government's new funding needs. In the short term, the extension of the Emergency Family Income, which will be funded through government financial assets, could also have an appreciative effect on the exchange rate due to the settlement of external positions. On the other hand, the Constitutional Convention's proceedings and/or the coming presidential and parliamentary elections, added to the discussion of new pension fund withdrawals, could exert pressure upward upon the exchange parity.

Withdrawal of the monetary stimulus would be more accelerated than foreseen.

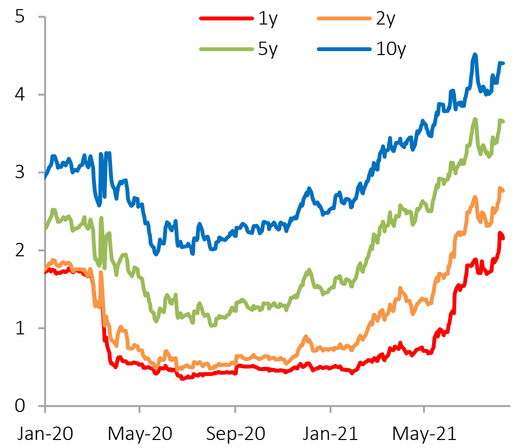
In their last Monetary Policy Meeting (RPM), alongside initiating the Monetary Policy Rate (MPR) raising process, the Central Bank also indicated that future adjustments would depend on the economy's evolution. In their statement, the Council advised that they saw trends as highly unlikely to follow the most optimistic path in the Monetary Policy Report (IPoM) corridor, suggesting a more gradual pacing of the monetary implementation.

If there were doubts regarding the IPoM's central forecasts until recent weeks, the latest activity and inflation figures have provided further support. This is why the monetary normalisation strategy should approach, in the short term, what the Central Bank indicated. This involves continuing with a very gradual rising process in the coming months that would drive the MPR up to 1.5% by the year's end. This entails 25 bps adjustments in each of the remaining three Monetary Policy Meetings for 2021. The above is somewhat speedier than what we had foreseen a month ago, but it is less aggressive than what was implied by swap rates, which have once again climbed in the latest, pointing towards a policy rate that would end the year at around 2.25%.

There are relevant risks that could lead to either accelerations or slowdowns to the stimulus withdrawal pace in the short term. On the one hand, the Emergency Family Income extension and the potential approval of a new pension fund withdrawal could become an additional drive to consumption, which could place further pressures upon inflation. Thus, it cannot be ruled out that on their next Monetary Policy Meeting, the Council will raise the MPR by 50bps, thus ending the year at 1.75%. On the other hand stand the pandemic related risks. Even though cases have shrunk substantially, the experience of other countries shows that the spread of the Delta variant can halt the reopening process. If this situation takes place, the Council will likely decide to pause the rising process for the latter part of the year.

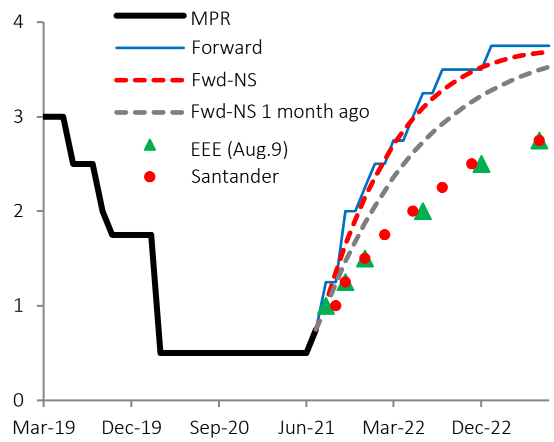
We estimate that the monetary policy rate will have to be even more cautious in the medium term. A significant part of the macroeconomic impulse this year has been given by the solid fiscal expansion, with an expenditure that could reach almost 36%. This is not sustainable in the medium term. Furthermore, the next budget should contemplate reducing public spending by at least 10% and shrinking the deficit. This will cause a relevant slowdown of the economy that, without the mediation of a higher investment deployment, could suffer a significant slackening to its pace of growth. In this context, it is unlikely that the Central Bank will raise its monetary policy rate beyond 3% and may instead tend to pause the stimulus withdrawal process with an MPR below its neutral value.

Swap rates resume rises…



Source: Bloomberg and Santander

… anticipating a steeper upward trend for the MPR



Source: Bloomberg, BCCh and Santander

Extension of the Emergency Family Income until November will drive the deficit close to 8% of the GDP

During the year, public expenditure has grown at very high rates (27% actual growth in the first semester) due to fiscal support measures (the "subsidies and grants" component, which includes the Emergency Family Income (IFE), grew by 65% YoY). Incomes have also experienced significant growth (31% YoY), though this is partly due to the low comparison bases related to taxing postponements during the first months of the pandemic.

In months to come, the extension of the IFE until the end of the year and the Employment IFE (which amount to US$ 7,000 million in disbursements, funded in part by US$ 3,000 million in reallocations) will lead public expenditure to end the year with an unprecedented growth of over 30%, reaching 32% of the GDP. With this, the fiscal deficit will steepen up to 8% of the GDP. Next year, supposing the pandemic is overcome, an aggressive consolidation process will need to take place to reduce such a hefty deficit. This will involve a significant drop in expenditure related to this year's execution.

Last month, the Ministry of Finance announced they would issue debt for an additional US$ 8,000 million to the schedule reported at the beginning of the year, with which it reached the maximum authorised for 2021. The additional cash requirements to fund the IFE extension and Employment IFE will be obtained from settlements of government financial assets, primarily from the Fund for Social and Economic Stabilisation (FEES). By the end of July, this accrued close to US$4,000 million (the Pension Reserve Fund FRP had other US$7,000 million), which is why its use to fund expenditure practically will extinguish it.

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	9.0/10	1.0/2.0
Internal demand (real var. % YoY)	-0.5	2.5	1.8	2.9	4.5	1.0	-9.1	16.5	0.8
Total consumption (real var. % YoY)	2.9	2.6	3.5	3.6	3.7	0.8	-6.9	14.5	1.0
Private consumption (real var. % YoY)	2.7	2.1	2.7	3.4	3.8	1.0	-7.5	16.0	0.9
Public consumption (real var. % YoY)	3.8	4.8	7.2	4.6	3.3	-0.2	-3.9	8.5	1.0
Gross fixed capital formation. (Real var. % YoY)	-4.8	-0.3	-1.3	-3.1	5.1	4.4	-11.5	15.5	2.5
Exports (real var. % YoY)	0.3	-1.7	0.5	-1.5	5.3	-2.6	-1.0	4.0	3.0
Imports (real var. % YoY)	-6.5	-1.1	0.9	4.6	8.1	-2.4	-12.7	28.5	2.0
GDP (US$ billions)	260.6	244.3	250.6	277.1	298.9	282.7	255	315	330
GDP per capita (US$ thousands)	14.6	13.6	13.8	15.0	15.9	14.8	13.0	16.0	16.6
Population (millions)	17.8	18.0	18.2	18.4	18.8	19.1	19.5	19.7	19.8

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	15.5	13.5
Exports (US$ billions)	75.1	62.0	60.7	68.8	75.2	69.9	71.7	91.5	91.5
Imports (US$ billions)	68.6	58.6	55.9	61.4	70.6	65.7	54.9	76.0	78.0
Current account (US$ billions)	-5.2	-5.7	-5.0	-6.4	-9.2	-10.5	3.4	-7.5	-8.6
Current account (GDP%)	-2.0	-2.4	-2.0	-2.3	-3.1	-3.7	1.3	-2.4	-2.7
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	67	73

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	4.5	3.2
CPI Inflation (var. YoY, average %)	4.7	4.3	3.8	2.2	2.4	2.3	3.0	3.9	3.9
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	3.2	3.0
CLP/US$ exchange rate (year's exercise)	607	707	667	615	696	745	711	780	790
CLP/US$ exchange rate (year average)	570	654	677	649	640	703	792	747	785
Monetary policy rate (year's exercise, %)	3.00	3.50	3.50	2.50	2.75	1.75	0.5	1.5	2.5
Monetary policy rate (%, year average)	3.75	3.06	3.5	2.7	2.52	2.48	0.8	0.8	2.1

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	32.0	ND
Central Government balance (% GDP)	-1.6	-2.2	-2.7	-2.8	-1.6	-2.8	-7.4	-8.0	ND
Central Gov. gross debt (US$ billions)	36.6	39.0	53.4	68.9	70.2	74.4	91.6	110.0	ND

Source: BCCh, INE and Santander.

CONTACT

(56 2) 2320 1021
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