Santander

The Central Bank begins the stimulus withdrawal process

Despite the restricted inflation pressures and ample gaps, the Council decided to begin raising the MPR. At a global level, though the central banks of leading economies announced they would maintain their monetary stimulus for a prolonged time, new fears over inflation resurgences have emerged.

Highlights

The global reopening is threatened by the expansion of the Delta variant and the rise in contagions worldwide. Nevertheless, activity data continues to recover, though with marginal moderation.

The leading central banks maintain an expansive bias for their monetary policies. In response, long rates had a relevant fall in recent weeks. Overall, surprising hikes to US prices have once again engendered concerns over inflation.

In Chile, May's activity was driven by the unprecedented surge in commerce. The marked differences in recovery among sectors, the weakness in the labour market, and the pandemic-related risks raise caution over the recovery process in the medium term. Accordingly, we maintain our 8% growth prospects for 2021.

Inflation will continue to moderately progress in the coming months, affected by the hikes in foreign fuel prices. The rebuilding of stocks has helped in containing new pressures. We maintain our annual inflation estimate by year-end at 3.7%.

The Central Bank began the monetary stimulus withdrawal in line with expectations. As a result, the Monetary Policy Rate was raised to 0.75%. The slightly more expansive bias of the new revision indicates that the normalisation process will proceed gradually. We do not rule out that the rate will remain unchanged in the next meeting in late August.

A hefty fiscal deficit will involve a higher debt issuance this year. According to the new estimates by the Ministry of Finance, the deficit would reach 7.1% of the GDP during 2021, impacted by expenditure surpassing 30% of the GDP. Funding needs have risen to US$ 36 billion, which is why US$ 8 billion will be issued additional to the figure already announced early in the year.

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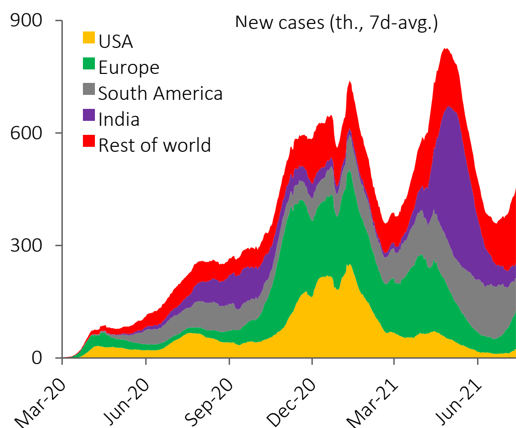
Optimism in global markets diminishes due to the incipient new wave of infections

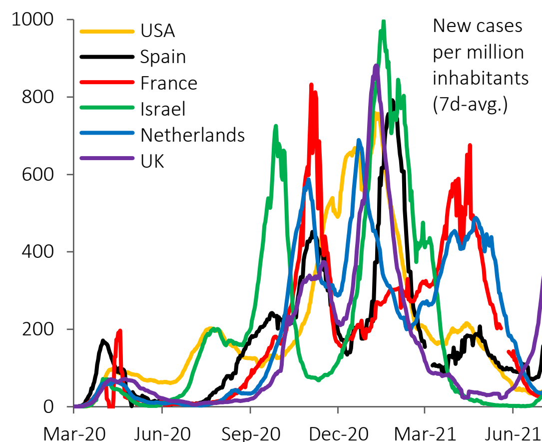
The favourable outlook for worldwide recovery has been dampened in recent weeks by the pandemic's evolution. Several economies, many of them at the gates of reopening, were forced to postpone their plans due to the uncertainty engendered by the Delta variant propagation and the rapid rise in infections. Notwithstanding, countries have already put in place systems of adaptation concerning confinement management, which is why the end-of-year prospects remain favourable, further sustained by the progress in vaccination rollouts. In this context, the global dollar has continued to strengthen (DXY: 2%) and, with the exception of the US (S&P: +3%; *Dow Jones*: +2%), stock indexes retreated (MSCI Emerging Countries and Latam: -3%; China: -2%; Spain stands out at -6%). In turn, the US Federal Reserve (Fed) and the European Central Bank (ECB) have insisted that incipient inflation spikes are temporary, which is why they foresee maintaining the monetary stimulus for a prolonged time. This has deepened the drops of the leading economies' long-term rates (10Y: -12bps on average). Inflation prospects have remained contained, but the surprising hike in the US's CPI has fostered uncertainty as of the date this report was issued.

Rise in recent cases worldwide due to new variant cause unrests



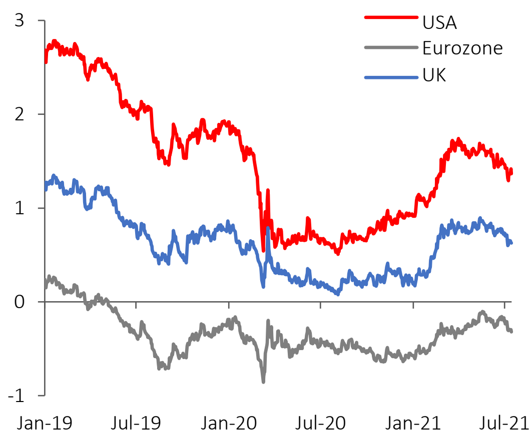
Source: Our World in Data and Santander

A surge in infections in the UK, Spain and the Netherlands stands out



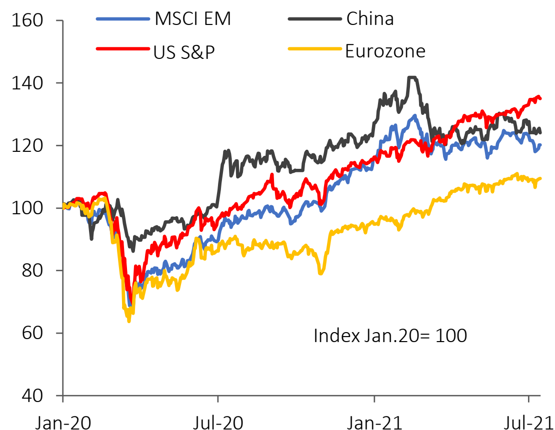
Source: Our World in Data and Santander

Long term rates shrink in synchrony



Source: Bloomberg and Santander

Stock markets fall during the month except in the US

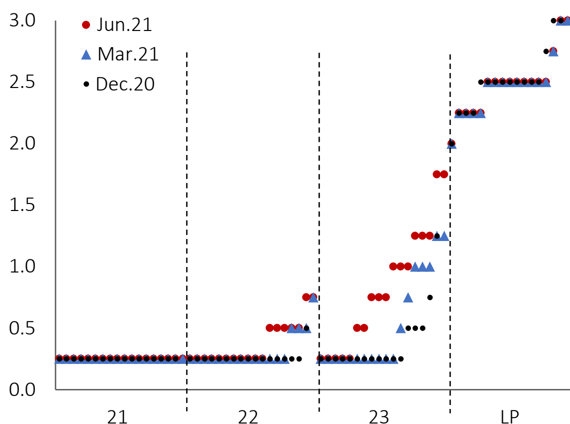


Source: Bloomberg and Santander

In order to give more room to its monetary policy, the ECB modified its ceiling of 2 per cent inflation target in favour of a more symmetric 2% +/- 1% in the medium term, starting June, akin to the Fed's announcement at the Jackson Hole symposium of central banks a year ago (August 2020). Meanwhile, in the context of the G20 summit, Christine Lagarde predicted essential changes to the monetary stimulus' direction in the coming Government Council's session on the 22nd of July, which would bolster the European economy once the current emergency bonds program (US$2.2 billion) finishes in 2022.

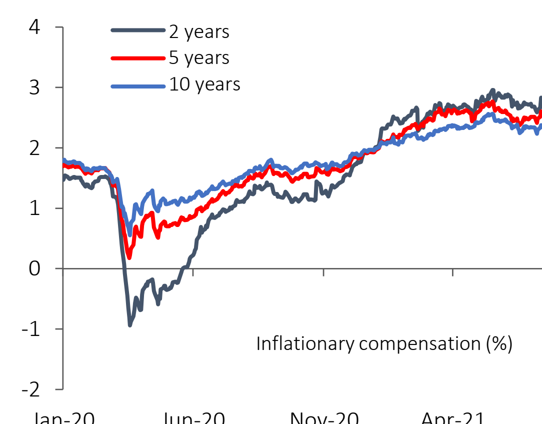
In the Minute from the last FOMC meeting, the Fed clearly stated that – despite the revision to its 2021's growth projection (from 6.5% to 7.0%), and April's and May's inflation surprises – the process of raising references rates will not begin in the short term, as shown by the Fed dots. Even though the market absorbed this message at the moment, after June's CPI surprise (0.9% vs 0.5% expected) – which drove the annual figure to 5.4%, its maximum level since 2008 –the unrest once again grew, halting the fall observed in long-term rates (which returned to levels close to 1.4%). Inflation compensation measures also reacted to this hike, partially reverting the moderation of recent weeks. In times to come, attention will focus on the asset purchase program announcements (tapering), which is expected to have revisions during this second half of the year.

Changes to Fed's dots confirm expected rises for 2023



Source: Bloomberg and Santander

Inflation compensation measures in the US are reverted due to June's CPI surprise



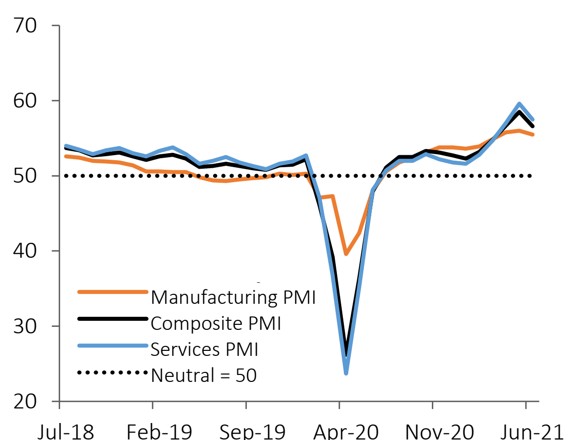
Source: Bloomberg and Santander

June's activity indicators continue to offer signs of optimism by degrees and reflect the leading regions' recovery of economic growth. In the US, the PMI indexes moderated after peaking in May (*Markit* manufacturing index: from 62.6 to 62.1 and services: from 64.8 to 64.6; ISM manufacturing index: from 61.2 to 60.6 and services: from 64.0 to 60.1) and consumer trust rebounded (*Conference Board*: 127.3 vs 119 expected). The final GDP reading of 1Q21 confirmed a 6.4% growth, with personal consumption growing to 11.4% in response to the aid received by families during the pandemic. In turn, even though the unemployment rate rose to 5.9% (5.6% expected), and initial unemployment benefits were disappointing in the latest records (373,000 vs 350,000 expected), the latter figure is currently at its lowest levels since the pandemic began, and the substantial job creation offered positive signs regarding the labour market's recovery (ADP: 692,000 vs 600,000. Non-farm: 850,000 vs 720,000).

In Europe, PMIs surprised on the upside (manufacturing: 63.4 vs 63.1; services: 58.3 vs 58.0), and retail sales slowed down less than expected (9.0% vs 8.2%). The ZEW survey of economic growth expectations dropped from 81.3 to 61.2 in July, possibly affected by the recent infection outbreaks, veering away from May's peak (84.0). As no surprises were recorded in inflation terms (1.9% and 0.9% for total and core inflation, both in line with expectations), the sanitary front once again becomes the biggest concern for the old continent.

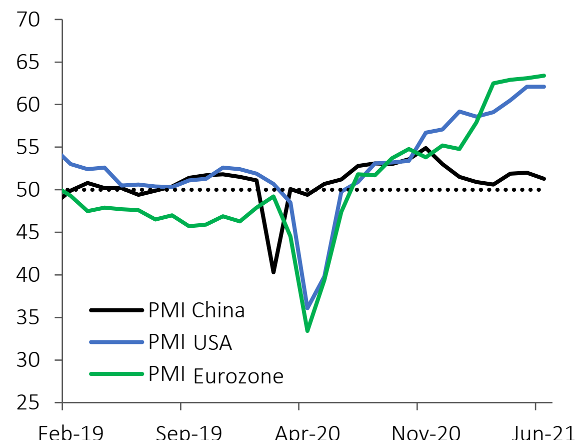
In China's case, moderation to activity indicators was greater than anticipated (*Caixin* manufacturing index: from 52.0 to 51.3; *Caixin* services: from 55.1 to 50.3), with the shrinking of services standing out, which is quite close to falling into negative grounds (neutral= 50). The latter is in line with the GDP second-quarter figure known yesterday (7.9% vs 8.0% expected), which further corroborates slowdown signs from this leading economy (18.3% in the 1Q21) despite the foreign commerce figures, which still maintain a high level of buoyancy (exports: 32.2% YoY vs 23.0% expected; imports: 36.7% vs 29.5% expected). Regarding inflation, even though index figures decreased in June (CPI: 1.1% vs prior 1.3%; PPI: 8.8% vs prior 9.0%), monetary aggregates still display mixed signals (M1: 5.5% vs 6.0% expected; M2: 8.6% vs 8.2% expected). Finally, diverging from its western peers, the Popular Bank of China decided to reduce the reserve requirements by 50 bps (12.0%) as a measure to drive loans and boost the economy.

Global activity maintains favourable prospects though moderating marginally



Source: Bloomberg and Santander

In China, the manufacturing sector displays a slowdown but remains positive



Source: Bloomberg and Santander

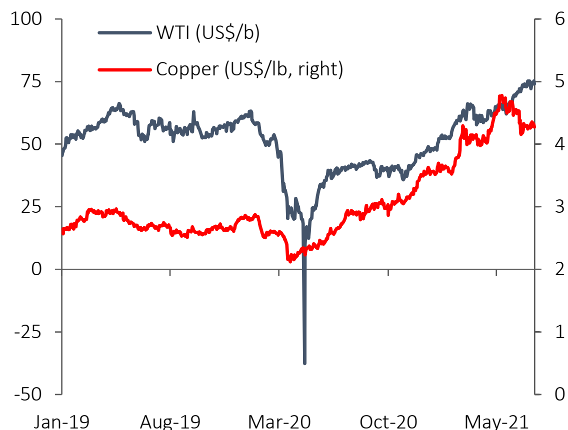
Commodity prices move in opposite directions

In recent weeks, the oil price has had a substantial rebound, driven by a more buoyant demand and an offer contained by the OPEC plus agreements to curtail production. The WTI price surpassed the US$ 76 per barrel in early July in light of the tentative deal between Saudi Arabia and Russia to gradually increase production. Nevertheless, it has since decreased to US$73 in reaction to the United Arab Emirates (UAE) objection to the agreement in considering their production ratio as insufficient, compounded to the drop in China's oil imports in June (-2%), its lowest level in the year. Additionally, the oil stocks from the US–the greatest worldwide consumer – continue to fall quickly, settling below their last five years mid-range value.

Diverging from the case of oil, the price of copper had a downward correction, and in recent weeks it has varied at a range between US$ 4.2 and US$4.3 per pound. This significant correction to its price reflects

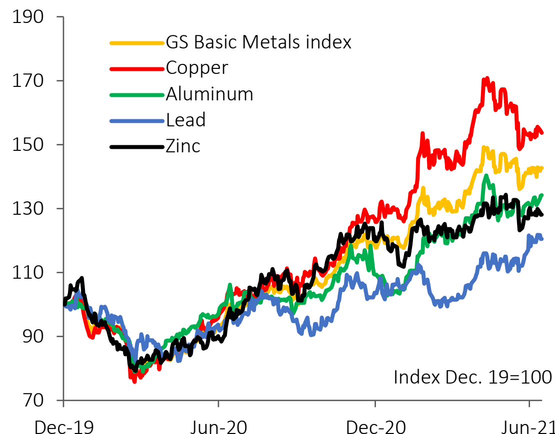
primarily the measures China is taking to control the copper price by freeing state reserves. As a result, Chinese copper reserves are expected to grow up to two million tonnes, representing 8% of the annual offer of copper worldwide. This is compounded to the slowdown in Chinese activity during the second quarter, the dollar appreciation and the resurgence of investors' unrest regarding the prospects of the global economic recovery, given the expansion of new coronavirus outbreaks linked to the Delta variant.

Oil price remains at peak levels since October 2018 (US$ barrel and pound)



Source: Bloomberg and Santander

The price of copper and other metals fell due to China's measures of freeing reserves



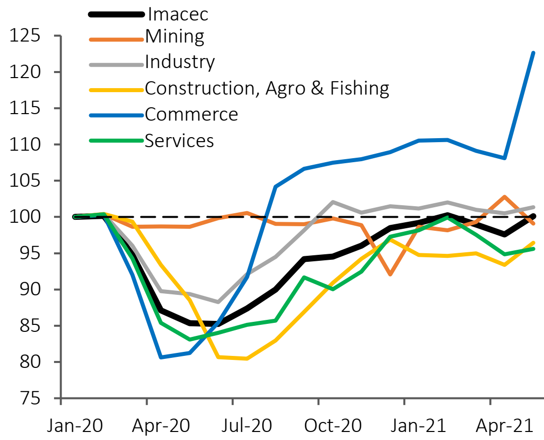
Source: Bloomberg and Santander

Uneven recovery of activity driven by consumption

After two consecutive months of contractions caused by mobility restrictions, the activity showed a speedy recovery during May (Imacec: 2.6% MoM; 18.1 YoY), strongly driven by commerce (13.4% MoM). While displaying moderate progress, other sectors still remain below their pre-pandemic levels and have relevant gaps over the trends they had been carrying up to 2019.

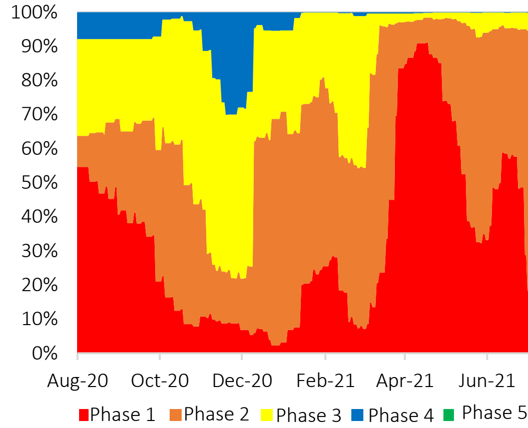
The commerce's strong rebound reflected the consumption boost driven by the government aids to households (IFE) and the third pension fund withdrawal, which entailed liquidity injections amounting to US$ 11,500 million in May. Furthermore, this coincided with a cyber day towards the end of the month, in a context where the commerce sector had shown remarkable adaptability to the pandemic-imposed conditions.

Unprecedented growth in commerce during May led to relevant buoyancy in the activity



Non seasonal series (Jan-20 = 100)
Source: BCCh and Santander

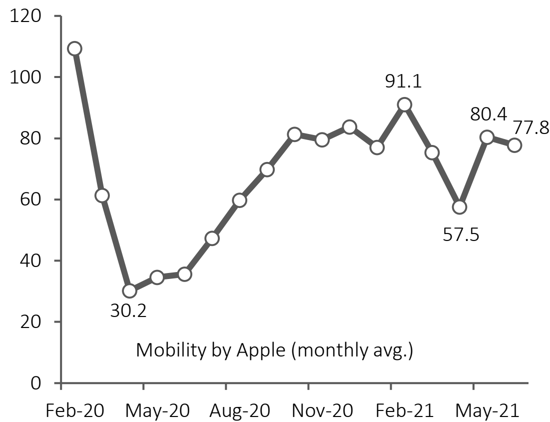
The population under lockdown increased in June, but it has diminished in July so far



Source: Ministry of Health and Santander

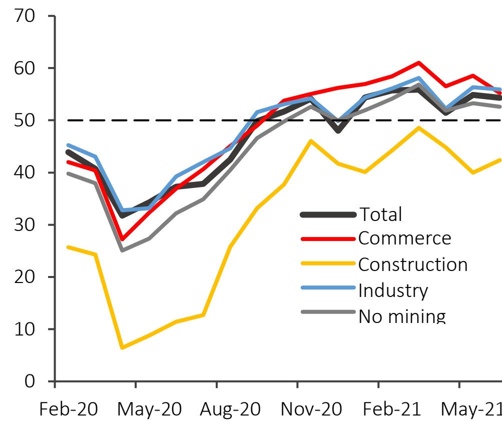
During June, a substantial fraction of the population was again put under lockdown, which caused mobility to shrink (78% vs 80% in May). This could have had a marginal impact in sectors such as services and construction. In turn, it is possible that a relevant portion of the liquidity shock had a temporary effect on consumption and that in figures to come, we will see a moderation affecting commerce. In fact, the IMCE business confidence survey of this sector tended to retreat in its last record, though still staying above the neutral pivot, while the weekly data from Santiago's Chamber of Commerce descended. Notwithstanding, sales of new cars remained strong (35,000). **Thus, we estimate June's Imacec (Monthly Index of Economic Activity) would have had slight progress over May, which added to the low comparison bases will lead to a yearly growth of around 17%.**

Mobility had a slight drop in June due to a higher percentage of the population under lockdown



% variation over baseline (Jan/Feb 2020)
Source: Apple Inc. and Santander

IMCE displayed a marginal moderation

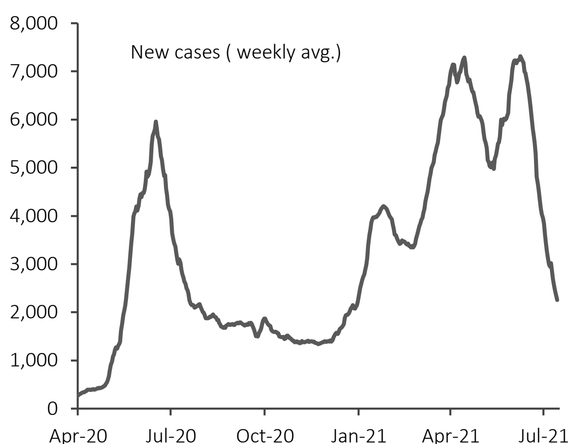


IMCE: 50 = neutral
Source: BCCh and Santander

In times to come, the progress in the vaccination rollout, the reduction of infections in recent weeks and the gradual lockdowns easing will allow the activity to continue recovering, particularly in more lagging sectors. All things considered, the sanitary risks continue to be relevant due to a possible loss of efficacy of some vaccines and the eventual propagation of the Delta variant. Furthermore, the liquidity shock's impact probably will dissipate in a context where the labour market continues to lag. **In light of this, we uphold our 7.5% - 8.5% estimated range for this year's GDP growth prospects.**

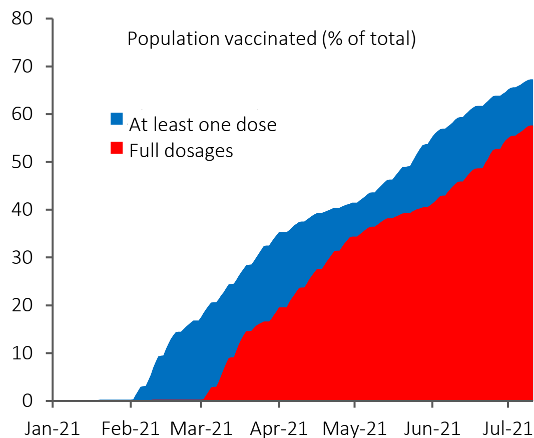
In the medium term, sustainable activity growth requires a rebalancing of the demand. In detail, it will be necessary for investment to recover and continue to grow in a complex scenario, characterised by political uncertainty, more restricted financial conditions, and amply supported companies.

Strong decline in infections



Source: Ministry of Health and Santander

Vaccination rollout continues to progress



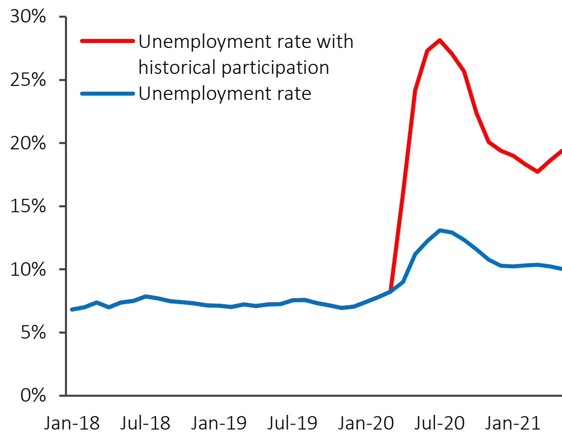
Source: Ministry of Health and Santander

The labour market loses strength

Even as May's unemployment rate decreased by 10%, the labour market gave new signs of weakness, suffering drops in both the workforce and employment. The latter decreased by over 60,000 posts over the February-to-April period, consisting primarily of wage-earning positions. With this, a gap remains of close to a million fewer jobs than in March 2020 before the pandemic.

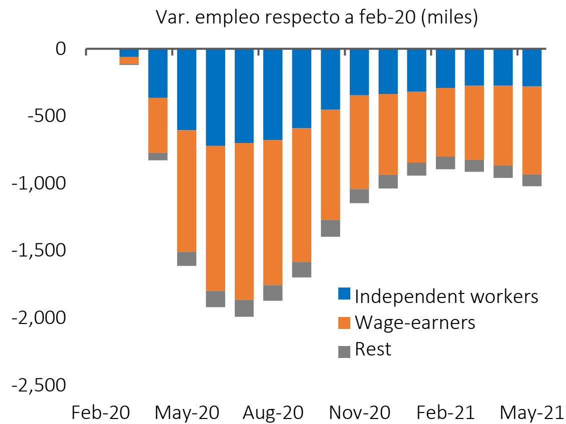
The new decline of work participation (56.3% vs 56.9% in April and 62.7% in May 2019), though aligned to recent lockdowns, has become a source of debate. This phenomenon –which has also emerged in other countries – has many causes, including fears of contagion, household care duties, the difficulty in applying for jobs given the mobility restrictions and the uncertainty engendered by moving in and out of confinement. All of this occurs in a context where more ample government aids and liquidity injections allow waiting for better conditions before starting an active employment pursuit. For these same reasons, as these measures are available and the pandemic remains latent, it is possible for work offers to remain restricted.

Unemployment rate decreases due to a reduced work participation



Source: INE and Santander

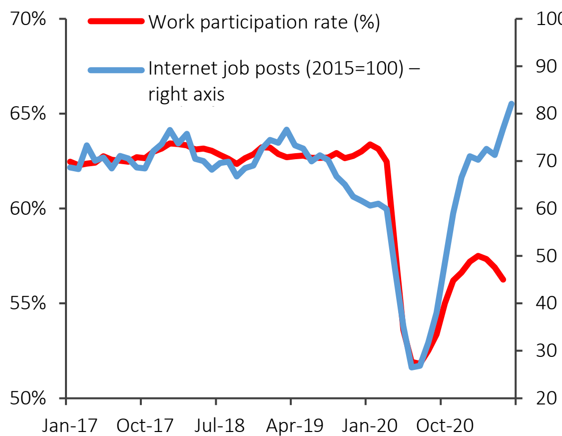
Employment once again shrinks



Source: INE and Santander

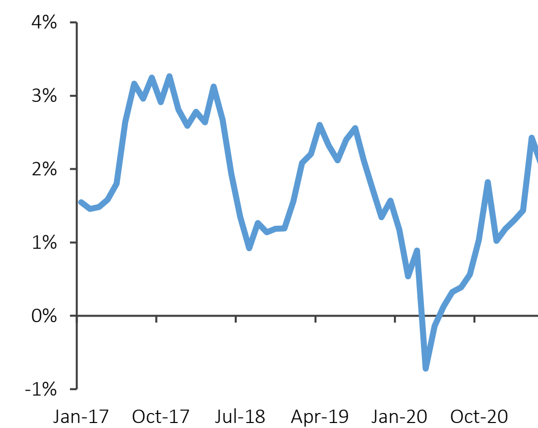
On the side of demand, the significant increase of vacancies in recent months is a positive sign. However, in the medium term, a sustained recovery of the labour market will require a more dynamic investment overall. Beyond this, the possible rise of working costs derived from a series of initiatives being discussed in Congress, in a context of growing automation, could devolve into a slow absorption of the workforce, with the subsequent impact in unemployment.

Demand for employment recovers, but the offer remains quite restricted



Source: INE, Banco Central de Chile and Santander

Real wages ascend.



Source: INE and Santander

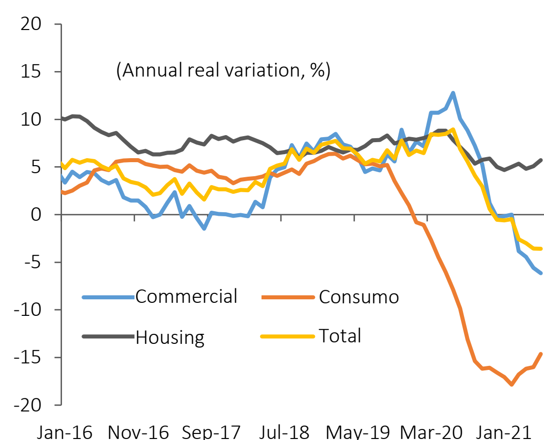
Banking loans continue to shrink

In June, loans continued to suffer negative growth rates (-3.6% annually, akin to the previous month), primarily due to the reduction of business loans (-6.1%). According to the Banking Loan Survey (ECB) on behalf of the Central Bank, this segment faces more conservative offer conditions and a weaker demand over the previous quarter. Even though growth prospects for the year have improved, the medium-term outlook remains uncertain due to the political climate, which has raised the loan risks and could be delaying

investment decisions. In turn, many companies still count on high liquidity and present increased leverage ratios.

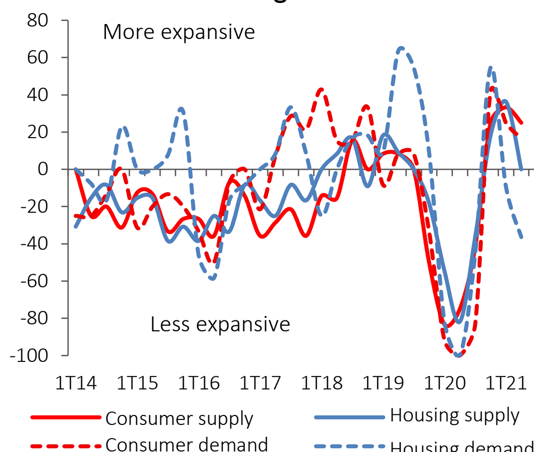
Consumer loans also exhibit a substantial contraction (-14.6%), though slightly less negative than the months before. This type of loan began to weaken after the social upheaval in late 2019 and was further undermined by the pandemic. Recently, liquidity injections and government aids have contributed to shrinking the consumer loans' demand and have allowed the reduction of leverages and arrears. In this line, the ECB highlights how this is the only segment with more flexible standards of approval and demand. The latter has caused a higher number of loans in relation to income. Lastly, housing loans maintain a stable growth (5.7%) in a context where approval standards remain unchanged.

Banking loans continue on negative grounds



Source: BCCh and Santander

The consumer segment maintains its more flexible offer and stronger demand conditions.



Source: BCCh and Santander

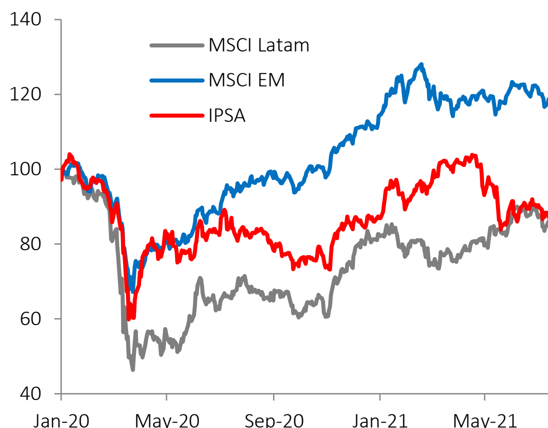
Financial markets end the first half of the year with historical falls

Despite improved growth prospects for the economy, the evolution of the pandemic –with progress and setbacks in mobility measures – the domestic political noise and the more restricted financial conditions have strongly undermined the price of risky assets. The local stock index IPSA lost all of the year's gains (-0.1%) and settled at around 4,170 points, far from the peaks reached in April (4,900 points). In recent weeks it has tended to align to the weak regional records (MSCI Latam: -3.8% MoM). In the future, further reopening linked to changes to the Step by Step Plan could boost the national variable income, but political risks will continue to influence results.

The exchange rate has tended to depreciate, veering towards levels near $750 per dollar. This figure is explained in part by the copper price corrections, compounded to the steady appreciation of the global dollar (DXY: +2% MoM), caused by the rising appetite of international investors for this currency's assets following the US economy's recovery process. Overall, the exchange rate has deepened the premium (+$50) in relation to the value consistent with traditional fundamentals, which is attributed to the local uncertainty. The exchange rate has depreciated despite the acceleration in daily foreign exchange settlements (up to US$ 500 million) on behalf of the Ministry of Finance, which could raise both the peak amount auctioned during July up to US$ 4.7 billion and the new debt emissions announced consisting primarily of foreign currencies for over US$ 8 billion.

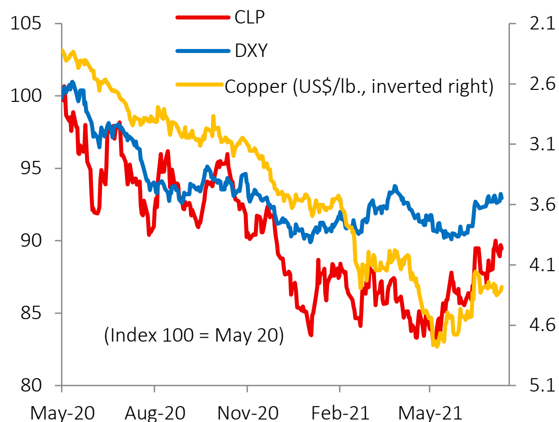
Given our most likely estimate for the evolution of underlying trends of parity –in particular with the price of copper shrinking towards the US$4 per pound – **we project that prices will end the year at around $760, somewhat higher than what we anticipated in our prior report**.

The stock market aligns with weak regional results



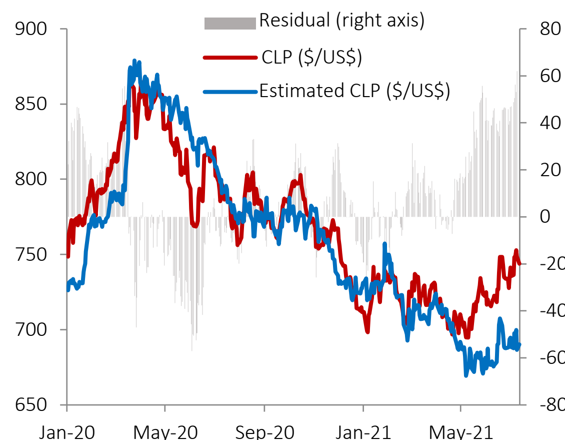
Source: Bloomberg and Santander

Currency reacts to copper price corrections and global appreciation



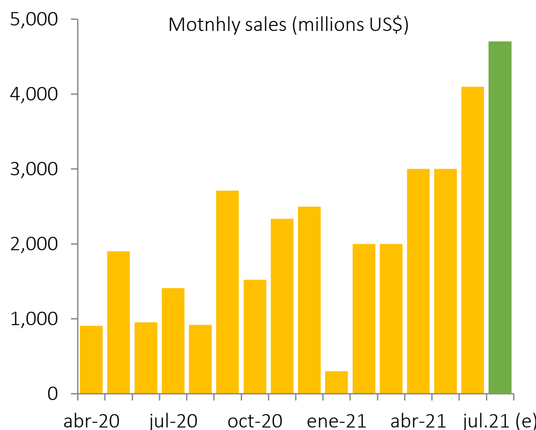
Source: Bloomberg and Santander

The exchange rate widens the difference with its theoretical value



Source: Bloomberg and Santander

Ministry of Finance raises the amount of dollars auctions in the local market



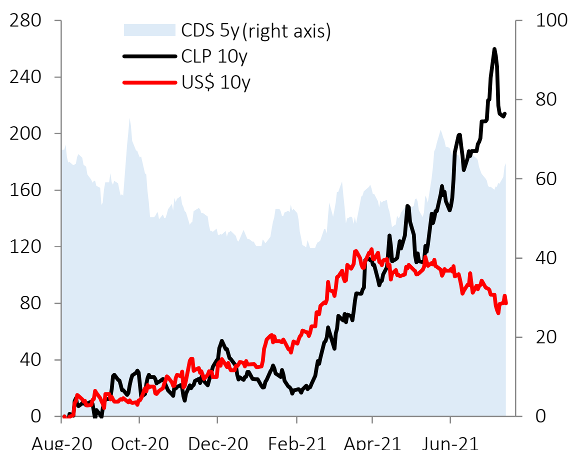
Source: Ministry of Finance and Santander

Local rates have been under constant pressure for several weeks, which drove them to levels unseen since late 2018. Behind this are higher risk premiums, the lower demand for debt instruments after the pension fund withdrawals, the lower participation of non-resident investors in a context of flight to quality and the higher offer of documents issued by the tax authority to fund its deficit.

The latter is compounded to the short-term acceleration of the economy, which led the Central Bank to change its tone in their last Monetary Policy Report (IPoM), in which they indicated a hastening to the start of the MPR raising process. Thus, the 10-year bond rates in Pesos have reached levels of 4.5% as of the date this report was issued, and despite the more recent revision, it amounts to 188 more base points than in January and almost twice than a year ago at the height of the pandemic.

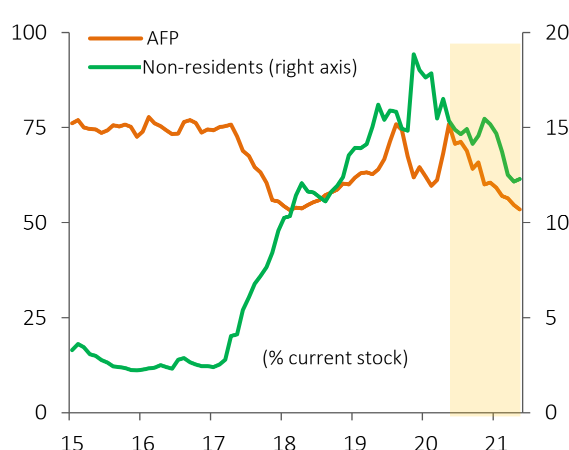
In our baseline scenario, long-term interest rates would skirt their peak values. All things considered, there are still underlying factors pointing towards opposite directions. On the one hand, the risk assessments undertaken after the coming election process could impact the premium. Likewise, if draft legislation in Congress authorising new pension fund withdrawals is approved, there would be new settlements of debt instruments, which would also exert rising pressure over rates. On the other hand, swap rates hint at a speedy monetary normalisation process, with the MPR standing near 3% during the first half of next year. We estimate it is highly likely that this rate scenario will not materialise, in line with the Central Bank's statement released yesterday. There is a possibility that the economy will lose dynamism once the fiscal stimulus ends, which could happen early next year. This, alongside a context of restricted inflation and a weak labour market, will make the normalisation process much more gradual, which could engender a correction in the longest side of the curve.

Interest rates continue to climb despite the moderation in foreign rates



Source: Bloomberg, RiskAmerica and Santander

The AFP and non-resident investors' participation in the sovereign debt market shrinks



Source: Banco Central and Santander

Inflation pressures remain contained

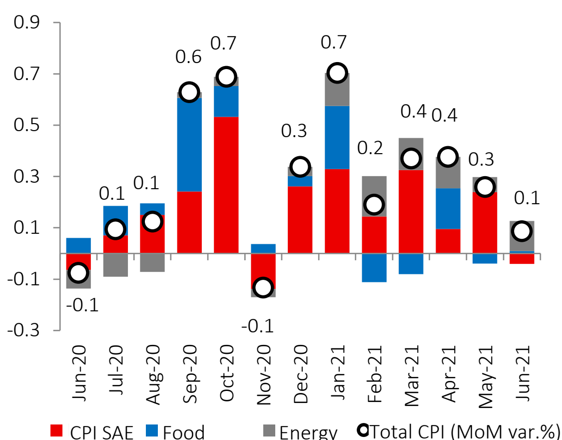
The low 0.1% MoM record of June's CPI (0.3% expected by the market) showed once again that inflation pressures remain contained. During the month, the null variation in food and the substantial drops in clothing (-0.06% incidence), personal care products (-0.05% incidence), and furniture (-0.03% incidence). With this, the core inflation –measured both by the CPI without Energy and Food (IPC SAE) and the new CPI measures without volatile components –thus shrank by 0.1%. The low comparison bases (June 2020's CPI was negative) drove the annual price variation to increase up to 3.8% (The CPI without Energy and Food remained at 3.1%).

The low inflation pressures are patent despite the intense drive that consumption has experienced in reaction to the liquidity injections from the third pension fund withdrawal. This is partly due to the speedy rebuilding of stocks which has allowed the offer to react to the higher demand. In turn, the exchange rate remains quite more appreciated than last year, which has contributed to contain hikes. Overall, the CPI figure continues to be influenced by the sanitary situation given that the prices of a series of services that cannot be delivered normally (air travel, tourism, recreation, and culture services) continue to be allocated

(the allocation price rate in the month was 23.2% over May's 22.7% and thrice above the levels prior to the pandemic).

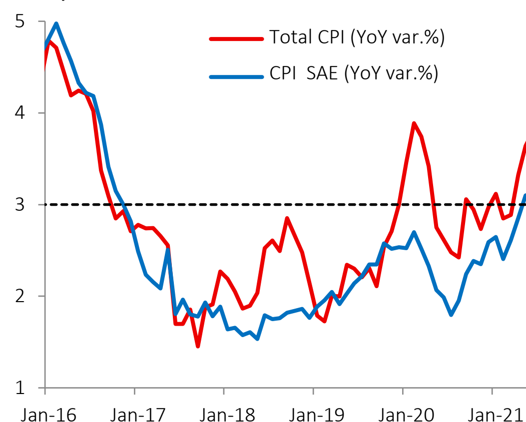
In months to come, the CPI will continue to progress moderately, affected by the hikes in foreign fuel prices. The low comparison bases will cause the annual records to climb in July and August, but they should moderate starting September. We therefore estimate that the inflation will end the year at around 3.7%, to then converge towards 3%, considering that the economy maintains relevant gaps, primarily in the labour market.

June's CPI core inflation reveals low inflation pressures



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

Annual inflation climbed up to 3.8% due to low comparison bases



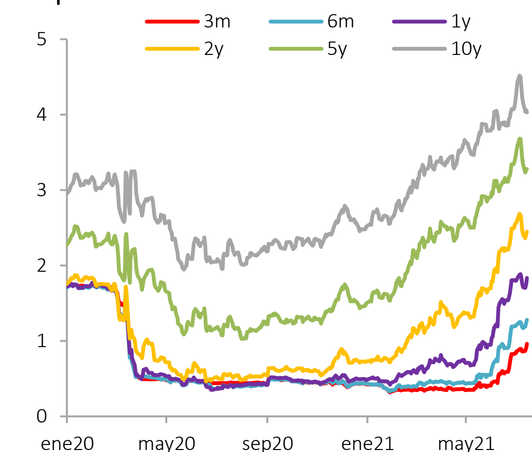
Source: INE and Santander

Central Bank starts rate-rising process

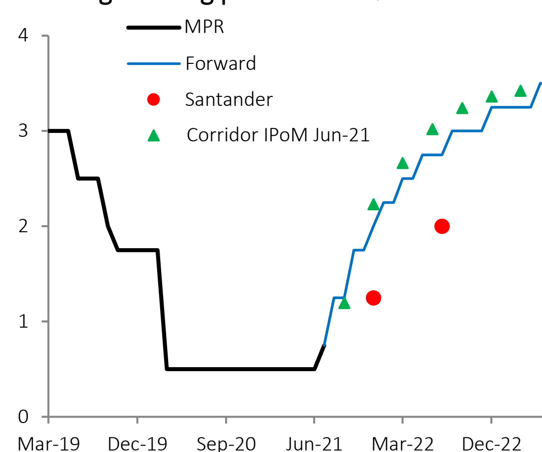
Just as the market was expecting after the signs given by the last Monetary Policy Report, the Central Bank raised the Monetary Policy Rate (MPR) to 0.75% from the 0.5% standing since March 2020. With this, a new cycle of rate rises intended to detract the expansive monetary policy begins.

According to yesterday's statement, the Council estimates that the economy is evolving in line with the scenario detailed in their last report (though inflation is likely to end the year below the report projections). Therefore, they have highlighted that future adjustments to the MPR "will be assessed according to the economy's evolution, where the signs obtained so far indicate that the scenarios delineating the limits to June's MPR ranges are less likely". Furthermore, they anticipate the MPR to stay below its neutral level (estimated at 3.5%) during the entire period projected (until June 2023). Both references represent a more dovish bias than that transmitted in their prior statement and anticipate that the monetary policy normalisation will be very gradual. Given this, we do not rule out that the MPR will be maintained at 0.75% in their next meeting in late August.

In times to come, the pandemic related risks still present in the economy and the probability that, once the fiscal impulse process finishes, both the activity and the low inflation pressures will lose strength, lead us to estimate a climbing trend with more gradual hikes in the expected prices of financial assets, even though they already have presented corrections after June's inflation surprise (10-year swap: -30bps)



Source: Bloomberg and Santander



Source: Bloomberg, BCCh and Santander

Ministry of Finance recognises the hefty deficit for 2021

In their last Public Finances Report (IFP), the Ministry of Finance updated their expenditure estimate for 2021 up to 30.5% of the GDP, surpassing April's GDP projection by 4.4 GDP points. The rise is explained, primarily, by the ampler coverage and amounts of the universal Family Emergency Income, which entails an additional disbursement for almost US$ 10 billion (3% of the GDP). With this, the real expenditure growth would rise to 27%, which compounded to the 10% increment recorded in 2020 accounts for a substantial fiscal impulse to face the impacts of the pandemic.

The improved outlook for the GDP (7.5%) and the average price of copper (US$ 4.11 per pound) translate to a higher income estimate, which would grow by 33% in the year. With these results, the estimate for 2021's deficit would reach 7.1% of the GDP, quite above the projections of April's Public Finance Report (3.8% of the GDP), but in line with our estimates.

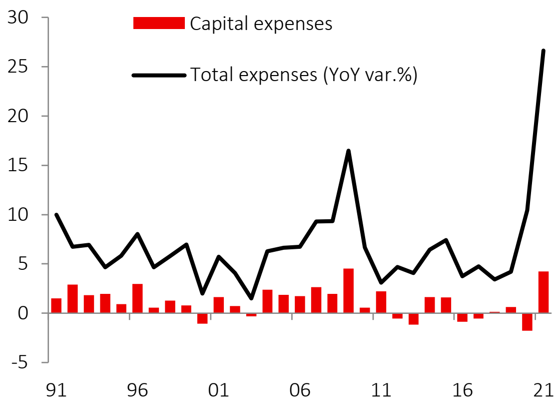
The report also reviews the Treasury's need for funding, which would amount to US$ 36 billion for the year. Moreover, this would include, alongside the deficit (US$ 23 billion), the debt repayment and the state funds capitalisation. So far, funding has been covered with US$ 6.71 billion withdrawn from the Sovereign Funds and issuances of debt for US$ 11.9 billion. As stated by the Ministry of Finance, to complete the coverage for the second half of the year, an additional US$ 2.45 billion will be withdrawn, and US$ 15.1 billion will be issued.

From this amount, US$ 8 billion are added to the original issuance schedule for 2021, which is why it could impact the exchange rate and local rates. It is worth remembering that in the latest Government issuances from rates above those recorded in recent months had been allocated already, reflecting the restriction in financial conditions.

Finally, the Public Finances Report estimates that debt will end the year at 34.1% of the GDP, a figure partly contained by the continued upward revisions of the nominal GDP (the report implicitly includes a 17% growth for this variable). In the medium term, the report considers a shrinking of expenditure levels –due to the temporary character of the pandemic-related measures – with which debt would reach 38.5% of the GDP by 2025. Nevertheless, uncertainties concerning whether reducing expenditure will be possible for

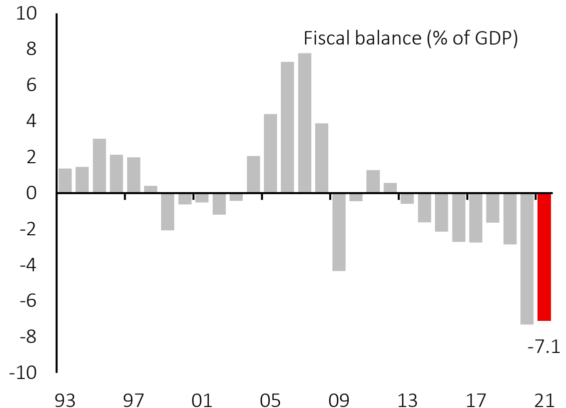
next year persist (a situation that has not been recorded since the mid-80s). Moreover, new worsening sanitary conditions that entail similar transfers as observed in recent months cannot be ruled out.

Even though the growth of expenditure is unprecedented for 2021…



Source: Dipres and Santander

… the deficit will be similar to that of 2020 thanks to the recovery of incomes



Source: Dipres and Santander

Macroeconomic Projections

Santander

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	7.5/8.5	2.0/3.0
Internal demand (real var. % YoY)	-0.5	2.5	1.8	2.9	4.5	1.0	-9.1	12.0	2.5
Total consumption (real var. % YoY)	2.9	2.6	3.5	3.6	3.7	0.8	-6.9	11.5	2.5
Private consumption (real var. % YoY)	2.7	2.1	2.7	3.4	3.8	1.0	-7.5	12.0	2.5
Public consumption (real var. % YoY)	3.8	4.8	7.2	4.6	3.3	-0.2	-3.9	8.5	3.0
Gross fixed capital formation. (real var. % YoY)	-4.8	-0.3	-1.3	-3.1	5.1	4.4	-11.5	10.0	2.0
Exports (real var. % YoY)	0.3	-1.7	0.5	-1.5	5.3	-2.6	-1.0	2.5	5.0
Imports (real var. % YoY)	-6.5	-1.1	0.9	4.6	8.1	-2.4	-12.7	18.0	3.0
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	20.5	14.5
Exports (US$ billions)	75.1	62.0	60.7	68.8	75.2	69.9	71.7	93.5	96.5
Imports (US$ billions)	68.6	58.6	55.9	61.4	70.6	65.7	54.9	73.0	82.0
Current account (US$ billions)	-5.2	-5.7	-5.0	-6.4	-9.2	-10.5	3.4	-2.3	-3.0
Current account (GDP%)	-2.0	-2.4	-2.0	-2.3	-3.1	-3.7	1.3	-0.7	-1.0
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	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	3.7	3.2
CPI Inflation (var. YoY, average %)	4.7	4.3	3.8	2.2	2.4	2.3	3.0	3.6	3.5
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	2.8	2.9
CLP/US$ exchange rate (year's exercise)	607	707	667	615	696	745	711	760	770
CLP/US$ exchange rate (year average)	570	654	677	649	640	703	792	737	765
Monetary policy rate (year's exercise, %)	3.00	3.50	3.50	2.50	2.75	1.75	0.5	1.25	2.25
Monetary policy rate (%, year average)	3.75	3.06	3.5	2.7	2.52	2.48	0.8	0.8	1.75

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	27.0	ND
Central Government balance (% GDP)	-1.6	-2.2	-2.7	-2.8	-1.6	-2.8	-7.4	-7.0	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.

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