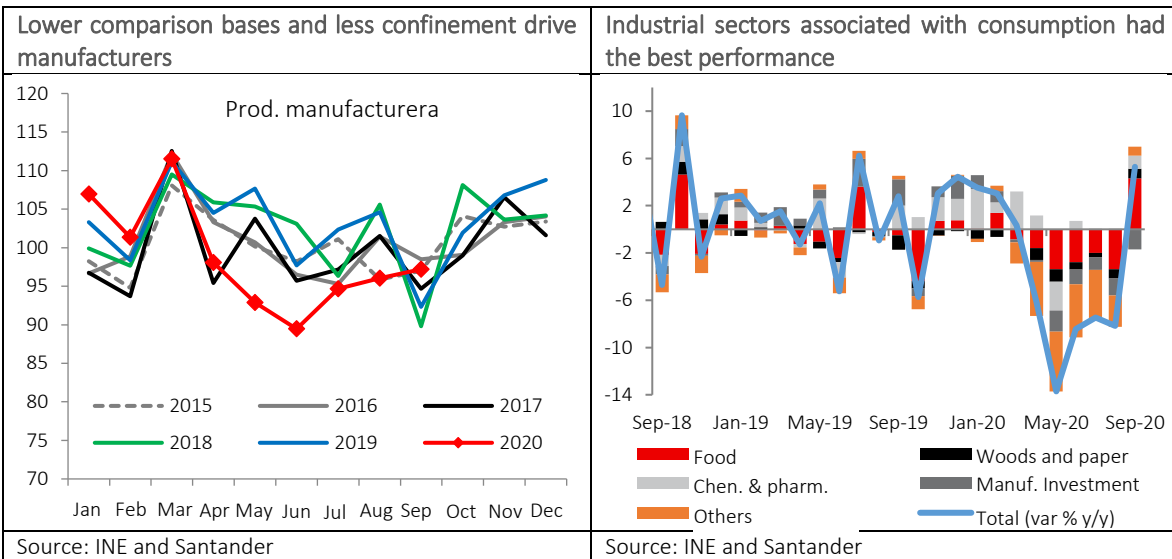


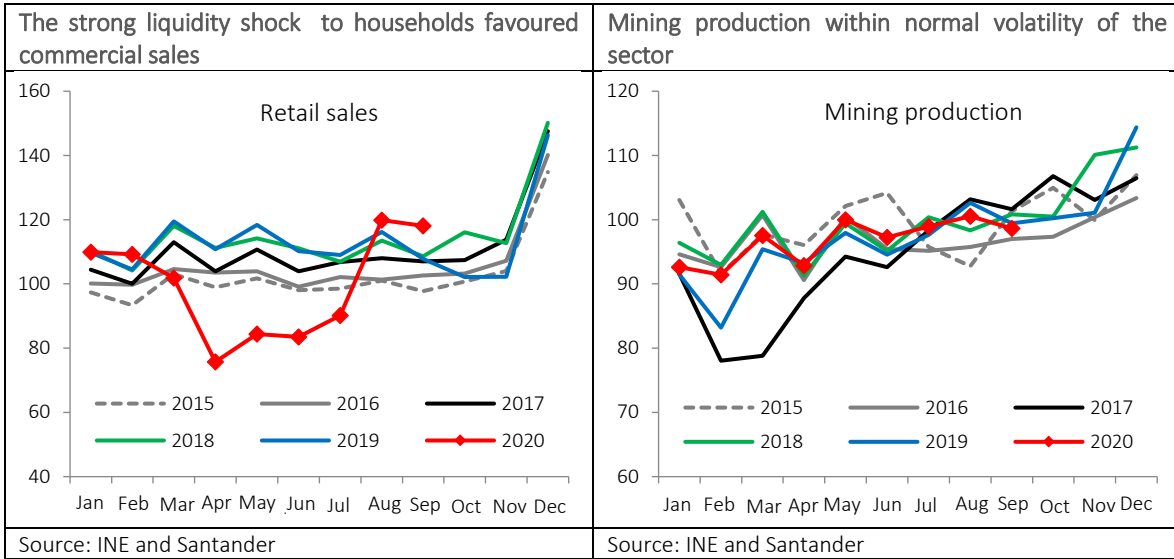
**Positive surprise of sectoral figures for September**

*Retail sales and manufacturing activity rose above their levels of a year ago, showing that the recovery has continued strongly*

As expected, the September activity figures showed the first growth figures since the pandemic broke out. As we had anticipated, the comparison bases for the month were less demanding than in previous periods –especially in manufacturing– which led anticipating positive annual variations. However, the progress of the deconfinement process and the strong impulse to consumption from the liquidity shock received by households meant that the figures for manufacturing and retail trade were above expectations (manufacturing: 5.3% y / y vs. Santander: 2% and Bloomberg: -2.3%; Retail: 9.5% YoY vs. Santander: 6.5% and Bloomberg: 7%). Mining activity had a moderate decline (-0.8% y / y), within the normal range of fluctuations in the sector.

Against this background, we expect the Imacec for September, which will be released on Monday, to show a significant recovery. Even so, the annual variation will be negative and will be around -3%, due to the fact that a series of services still remain well below their pre-pandemic level.

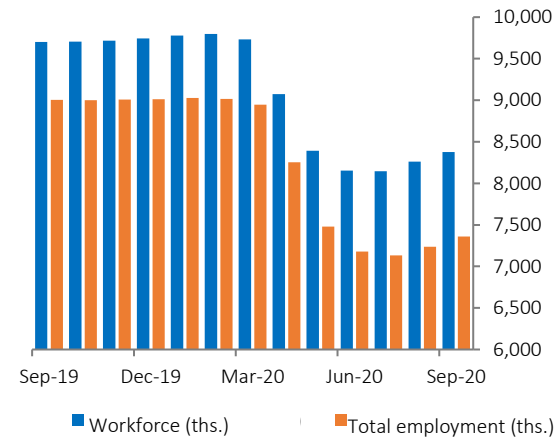




For its part, the labor market continues to recover with an increase of 292 thousand jobs from the minimum level reached in July (+ 230 thousand in seasonally adjusted terms). The work force has recovered at a similar rate, with which the unemployment rate fell to 12.3% (12.9% in August). However, employment remains well below pre-pandemic levels (-18% y / y). Although actual employment continues to be affected by high numbers of absent employed persons (1.1 million versus 650 thousand in September 2019), a faster recovery than total employment is observed.

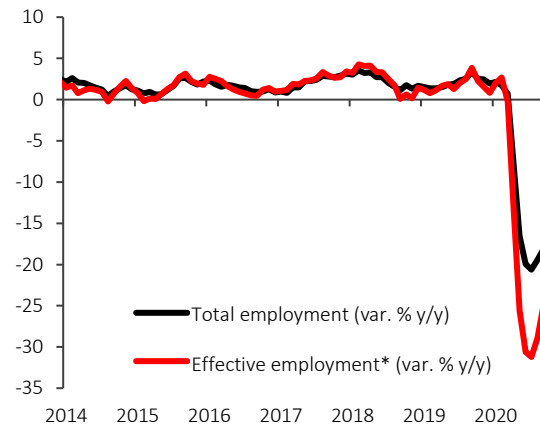
The evolution of the labor market will continue to be conditioned by the evolution of the pandemic. Although in the Metropolitan Region the deconfinement is advancing, in other regions communes with high population have returned to quarantine, which will slow down the recovery process in those areas

The similar recovery of employment and workforce has led the unemployment to recede



Seasonally adjusted series  
Source: INE and Santander

Despite the recovery, effective employment continues 25% below last year's level.



Effective employment excludes absent employed.  
Source: INE and Santander

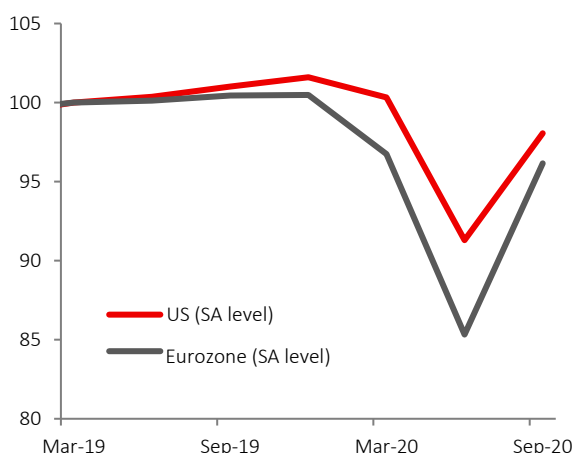
The minutes of the Central Bank's Monetary Policy Meeting highlights the uncertainty posed by the speed of recovery of the activity, considering that the greater dynamism of demand in the most recent time is explained by transitory factors (liquidity injections for households). In turn, they analyzed the political and social factors that would be affecting the price of some financial assets.

**Pandemic wreaks havoc on markets again**

The second wave of the virus has been accentuated, mainly in Europe. Several governments of the Old Continent, much to their regret and with greater opposition from the population, have again implemented containment measures, although less intense than in the first wave. Meanwhile, there have been advances in different vaccines, but they are not expected to be available anytime soon.

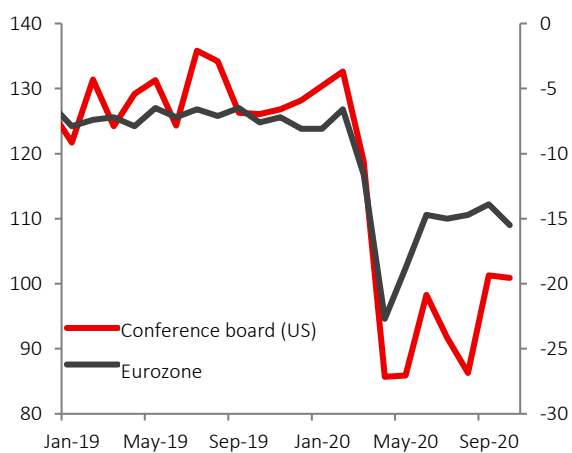
Although the activity data for the third quarter were better than expected (US 33.1% QoQ annualized; Euro Zone 43.2% QoQ annualized), the outlook for the end of the year has deteriorated due to outbreaks. In particular, consumer confidence measures have fallen (in Europe it fell from -13.9 to -15.5 points, while in North America it went from 101.8 to 100.9 points).

Third quarter recovery was somewhat superior to expected



Source: Reuters and Santander

Pandemic outbreaks have affected consumer confidence



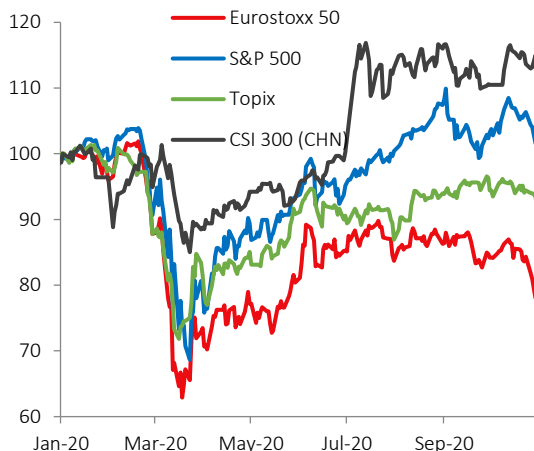
Source: Reuters and Santander

On the other hand, the electoral process in the USA has paralyzed the negotiations for a new fiscal stimulus. Meanwhile, the last meeting of the European Central Bank during the week only gave a timid promise of a little more unconventional stimulus for December.

Markets have reacted by moving towards more defensive positions, with which the dollar has strengthened again, the stock markets have experienced substantial falls and interest rates also fell. Except for the evolution of the Chinese economy, the future has become more uncertain and the recovery could be slower than expected. In this scenario, oil also falters, which has fallen by about 10% in the last seven days, while copper falls to US \$ 3.04 a pound.

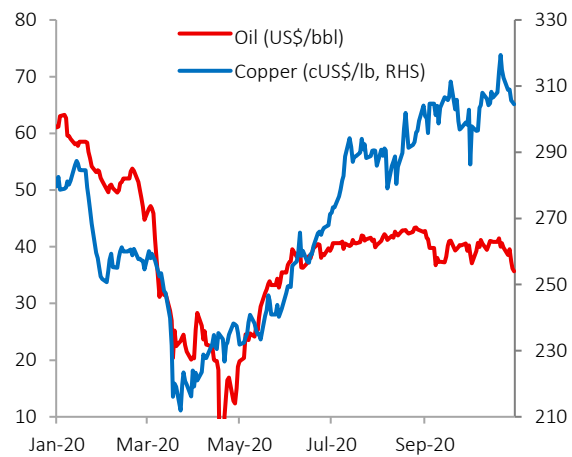
In Chile, despite the global strengthening of the dollar, the exchange rate appreciated slightly during the week, driven by the impact that a possible second withdrawal of funds from the AFPs would have.

Market corrections due to new health restrictions and lack of agreement in the US



Source: Reuters and Santander

A weaker economic recovery hits basic products



Source: Reuters and Santander

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