

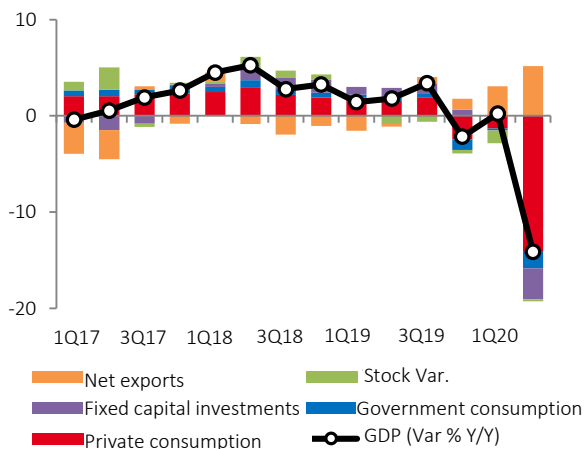
## Social distancing generated an unprecedented drop in consumption

*National accounts for the second quarter confirm that the sectors most sensitive to social distancing were the most affected. However, recoveries are observed in personal commerce and services*

In line with the preliminary figures of the Imacec, the GDP had its worst historical record in the second quarter (-14.1% y/y). As expected, the sectors most affected by the containment measures showed the worst performances: commerce (-20.6% y/y), transportation (-34.4% y/y), construction (-20.4% y/y), restaurants and hotels (-52.8% y/y) and personal services (-27.9% y/y). On the contrary, mining registered an expansion (1.6% y/y), reflecting the resilience that this sector has shown during the pandemic. All in all, monthly data show that commerce and personal services tended to recover towards the end of the quarter, while construction accentuated its decline due to the intensification of quarantines.

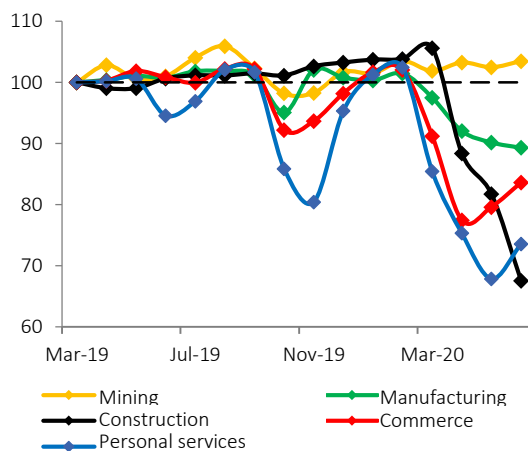
Due to both supply restrictions due to containment measures and lower demand, private consumption exhibited an unprecedented contraction (-22% Y/Y), with a strong impact on the services component. Investment also suffered a significant drop (-15% Y/Y), mainly explained by construction. Investment in machinery, on the contrary, had a slight rebound after the reductions experienced since the end of last year.

Private consumption is the GDP component with the greatest contraction.



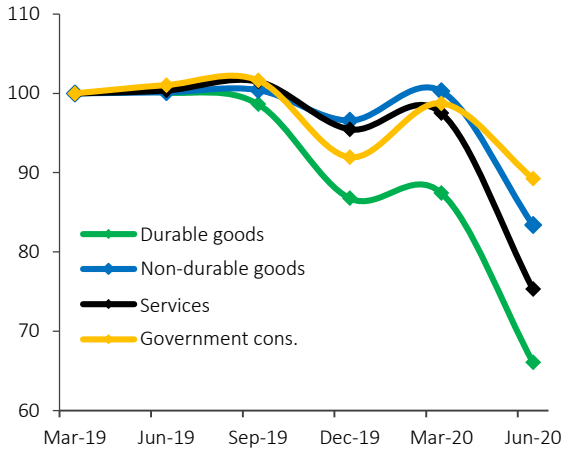
Source: BCCh and Santander

A recovery can be observed in some sectors



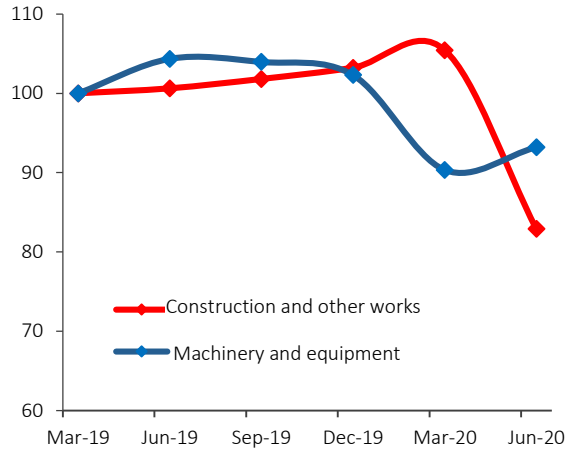
Seasonally adjusted monthly series (Mar-19 = 100)  
Source: BCCh and Santander

Non-durable consumption drop was greater than expected



Seasonally unadjusted quarterly series (Mar-19 = 100)  
Source: INE and Santander

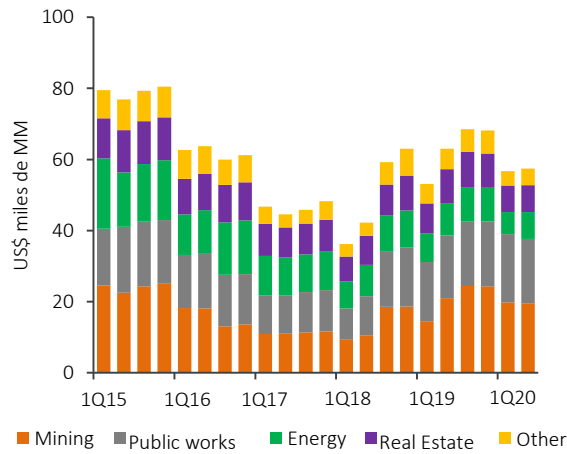
Work stoppage leads to a sharp drop in the construction component of capital formation



Seasonally unadjusted quarterly series (Mar-19 = 100)  
Source: Capital Goods Corporation and Santander

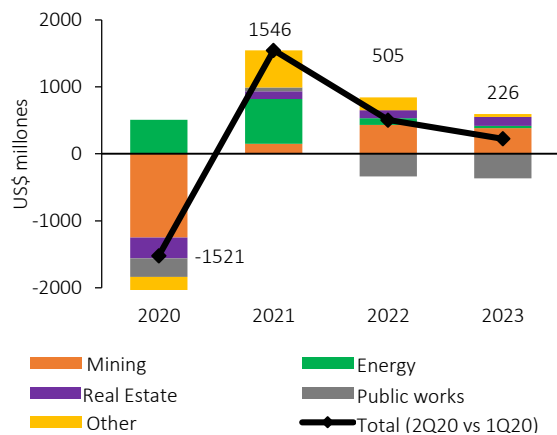
According to the cadastre of the Capital Goods Corporation for the second quarter, the investment projected for the five-year period remained relatively stable with respect to the previous cadastre. However, there was a rescheduling of projects from 2020 to 2021, mainly in mining, which will imply less execution this year for an amount close to US \$ 1,500 million.

Investment volume maintained for the 5-year period 2020-2024



5-year period starting in the year of each report  
Source: Capital Goods Corporation and Santander

Projects are rescheduled for the following years



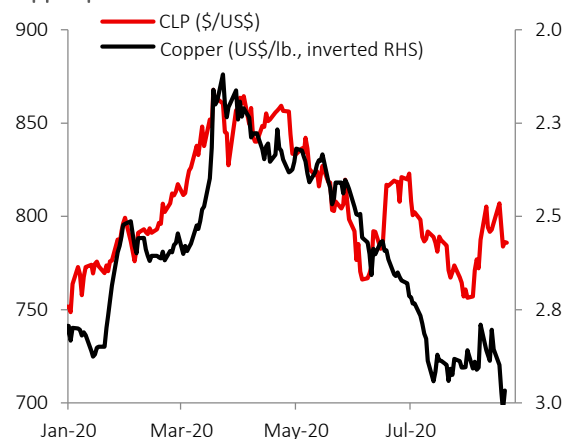
Annual adjustment according to 2Q20 Cadastre  
Source: Capital Goods Corporation and Santander

### Exchange rate volatility continues

After reaching \$ 800 on Monday, the exchange rate had an appreciative trend during the week - driven by the high levels of copper that at times exceeded US \$ 3 per pound - and at the end of this report it was trading at \$787. The volatility that the peso has had in the last fortnight is explained by the combination of external and local factors that are influencing it. Among the latter is the expectation of foreign currency income due to the liquidation of pension funds and the suspension since July 23 of operations for the sale of dollars by the Ministry of Finance. The latter implemented an electronic auction system in mid-April, which to date totalled sales of US\$ 5.17 billion of foreign currency.

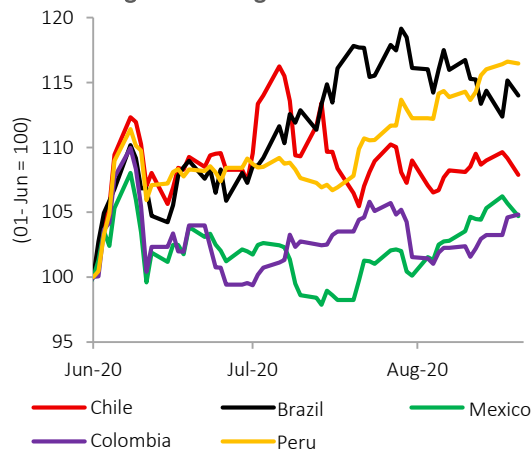
The IPSA has stabilized around 4,000 points and little volatility in the week, although with a slight downward trend (-0.7%), in line with the performance of the main Latin American stock markets. The retail sector has been affected due to the perception that the reopening of large stores will be slower than expected.

High volatility of the exchange rate with new highs for copper prices



Source: Bloomberg and Santander

The IPSA had a slight decline in the week, in line with the exchanges in the region



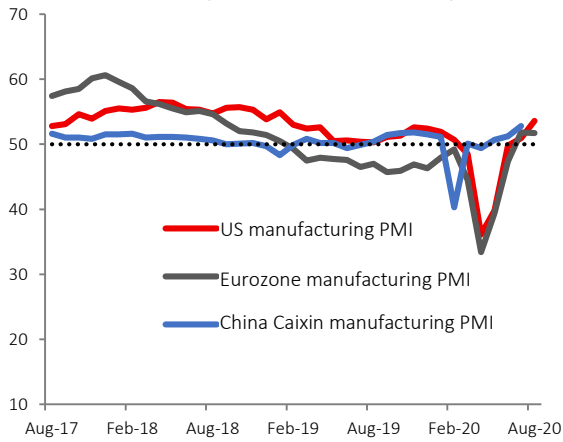
Source: Bloomberg and Santander

### Outbreaks of the pandemic put pressure on European markets

The main markets in Europe fell during the week, affected by outbreaks of the pandemic. For their part, the manufacturing and services PMIs for August in that region accounted for the impact of the new containment measures, placing them below expectations. By contrast, in the US, July PMIs were higher than anticipated and there were positive earnings reports from a number of tech companies and large retailers thanks to the explosion in online sales. Against this backdrop, the S&P500 once again made progress.

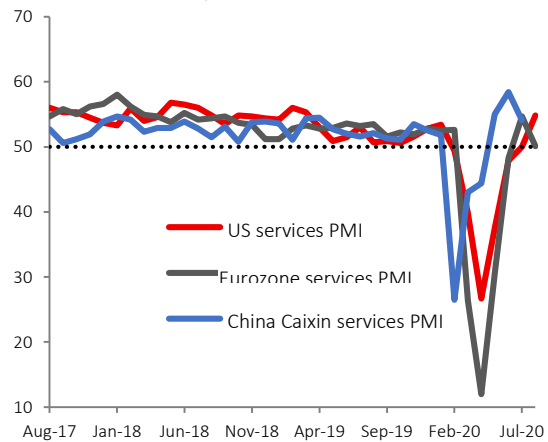
Copper had a very positive week, increasing more than 2.5%. Behind this phenomenon is the view that fiscal stimulus plans in several countries, with an emphasis on infrastructure, will prop up demand. There is also the fact that it is anticipated that the supply will be more restricted due to announcements from various companies regarding lower production levels during the next fiscal year.

Weak PMIs in Europe as a result of flare-ups ...



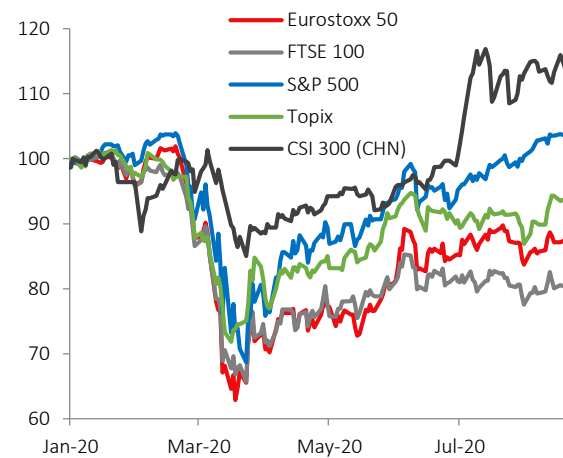
Source: Bloomberg and Santander

... while the US surprises the market with its resilience



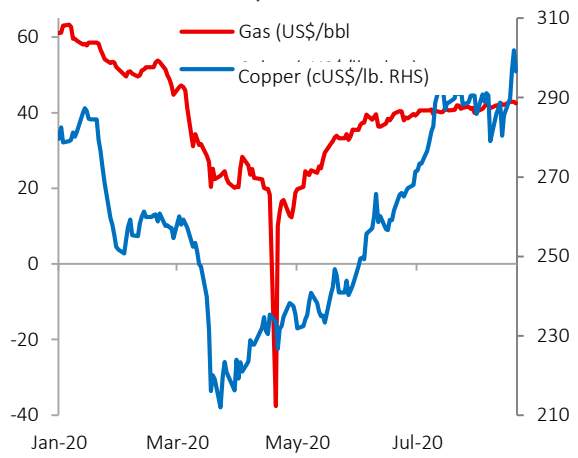
Source: Bloomberg and Santander

Losses in Europe due to falls in tour operator shares and tension in Belarus



Source: Reuters and Santander

The copper price exceeded US \$ 3 a pound for the first time in more than two years



Source: Reuters and Santander

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**CLAUDIO SOTO**  
Chief economist  
claudio.soto.gamboa@santander.cl

**SINDY OLEA**  
Economist  
sindy.olea@santander.cl

**FABIÁN SEPÚLVEDA**  
Economist  
fabian.sepulveda@santander.cl

**GABRIEL CESTAU**  
Economist  
gabriel.cestau@santander.cl

**MIGUEL SANTANA**  
Economist  
miguelpatricio.santana@santander.cl

## CONTACT



(56 2) 2320 1021

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