Possible fourth pension fund withdrawal and political uncertainty strain financial conditions

The risk of inflation led the Central Bank to hasten the MPR's rising pace, driving it close to its neutral level.

Highlights

Financial local markets have been subjected to significant stress at the possibility of a new pension fund withdrawal. The long-term interest rates have strongly risen, reaching ten-year peaks, while the Peso has depreciated, and the stock market has dropped.

Inflation pressures become apparent. September's surprising CPI (1.2%), the possibility of a new liquidity injection and the currency's depreciation will drive inflation up during the coming months, which will remain above target for a prolonged time.

Growth will reach 11% this year. August's Imacec was surprising on the upside due to the relevant recovery of the services sector and the record commerce levels. The preliminary indicators remained positive in September, and the Business Confidence Survey (IMCE) continues at almost decade-long peaks. If a fourth withdrawal is approved, the year's growth could surpass 11%, but the deceleration for the year to come would be sharper.

The labour market continues to lag due to a restricted offer. The demand for jobs has increased, but the participation rate has yet to recover its pre-pandemic levels. However, improving sanitary conditions and returning to in-person classes will allow several people dedicated to household care to reincorporate into the workforce. This should encourage employment in the last period of the year.

The Central Bank hastens the monetary normalisation rate. The Council unanimously decided to raise the MPR by 125 bps to drive it closer to its neutral level. In the future new aggressive rate movements are possible, which will be largely dependent on the concretion of a new pension fund withdrawal.

The Budget for 2022 contemplates a significant cut to public expenditure. With a 22.5% reduction in fiscal disbursement–compared to the exceptional levels reached during 2021– the Government's proposal has given the first step to direct the fiscal policy into a sustainable path. According to their estimate, the fiscal deficit would shrink from 8.5% of the GDP this year to 2.8% in the next, while public debt would account for 40% of the GDP by 2025.

International markets are preparing for the initialisation of the stimulus withdrawal on behalf of the leading Central Banks. In China, inflation and the financial situation continue to be focal points of concern. Thus, the IMF slightly revised its GDP prospects downwards to 5.9% for 2021 and maintained them at 4.9% for 2022.

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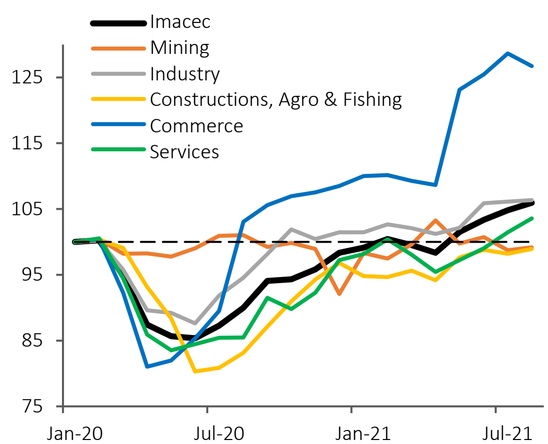
The economy has already reached above its trend

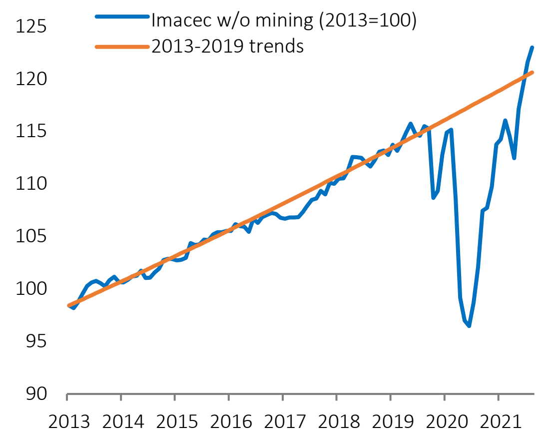
August Imacec (19.1%) was again surprising on the upside, revealing the strong buoyancy of consumption. The commerce sector has settled at levels akin to December for its fourth consecutive month when seasonally it reaches its highest annual levels. In turn, the service sector displayed meaningful progress (2.1% MoM), encouraged by the deconfinement process. Therefore, it has already surpassed its pre-pandemic levels, though there continues to be a gap with its trend.

The activity continues to grow at elevated rates



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

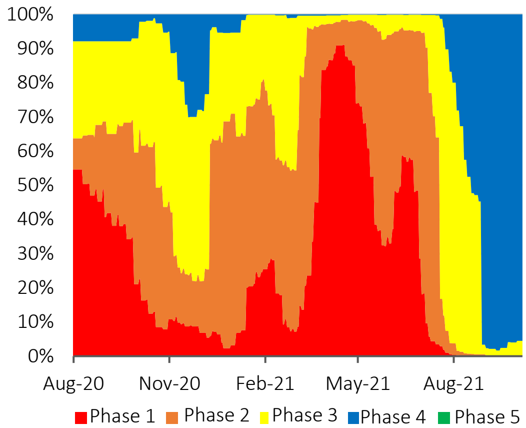
In July and August, the Imacec surpassed its trend



Source: BCCh and Santander

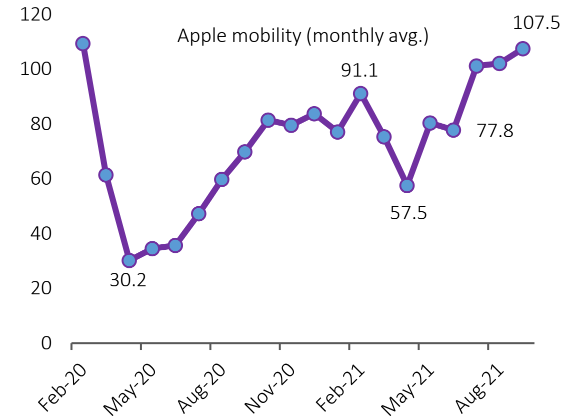
In September, the decline in cases and the vaccination rollout allowed the deconfinement process to progress, which resulted in 95% of the nation's population residing in communes at Phase 4. Therefore, several available monthly indicators continue to display progress in the activity (the business confidence survey IMCE has reached peak levels since 2012, and mobility has settled above its pre-pandemic levels). This data leads us to estimate new monthly progress for September's Imacec, with which its annual variation would reach 12%, slightly less than recent data due to more demanding comparison bases. With this, the year's growth would steepen up to 11%.

September was the month with fewer restrictions since the pandemic began



Source: Ministry of Health

Mobility has reached above its pre-pandemic levels

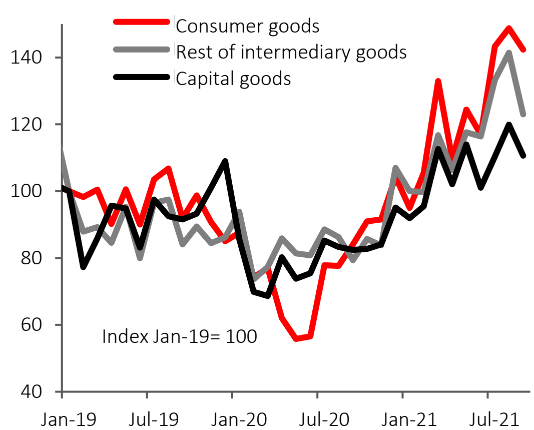


Variation % over baseline (Jan/Feb 2020)
Source: Apple Inc. and Santander

If a fourth pension fund withdrawal materialises, the consumption will remain above its trend and would start to moderate only in the first part of next year, when the more restricted monetary conditions and the diminished fiscal impulse becomes more apparent. In this scenario, the year's activity would surpass 11%, but the subsequent deceleration would be more intense, with which the economy could grow below our baseline scenario of 1.5% for 2022.

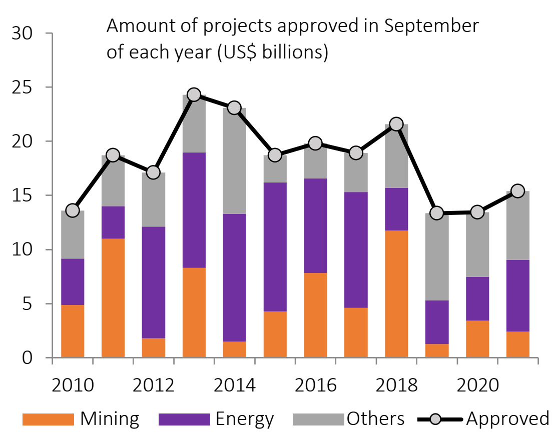
As we have commented on prior reports, a higher dynamism in investment will be essential to sustain activity onwards once consumption is normalised. Even though the most recent indicators have rebounded due to the reactivation of projects halted during the pandemic, new projects that could provide a sustained impulse to this expenditure component are yet to appear on the horizon. For this to happen, the signs given by the political world and shrinking uncertainty will be relevant.

Imports moderate during September but maintain high levels



Source: BCCh

Leading investment indicators remain below the levels of recent years



Source: Environmental Assessment Service

Financial local markets have been subjected to severe strains at a possible new pension fund withdrawal

Just as we anticipated in our previous report, the local financial assets have been subjected to high volatility in the recent weeks due to the progress in the constitutional reform process of a new pension fund withdrawal. This has already been approved by a narrow margin in the House of Congress (94 votes in favour, just one above the 93 needed for the requisite 3/5 quorum) and is now under discussion in the Senate until the end of October, when the chamber's votation will be held. Even if the result is uncertain (the required quorum is 26 votes in favour), the markets have internalised a high probability of approval. If so, this would mean a new liquidity injection into the economy of around 6 to 7 GDP points (more than US$ 16.5 billion) and would force a new settlement of financial instruments for Administrators of Pension Funds. Moreover, the injection of resources would happen in a context in which the internal demand is already above its trend —due to the high growth of consumption underpinned by previous withdrawals and state benefits—and in which inflation pressures have already become evident.

Assuming that pension funds maintain late August's portfolio diversification – which already exhibits a low presence of more liquid instruments such as time deposits – the above would entail the sale of government instruments for US$ 2.7 billion, which spread throughout the duration of 15 working days as stipulated by the law draft, would amount to 1.4 times the volume of daily transactions in the secondary market. Likewise, share settlements could reach 40% of all transactions, while the disinvestment of foreign instruments could involve selling spot dollars for the equivalent of 52% of the purchasing side on the Formal Exchange Market (US$ 1.15 billion).

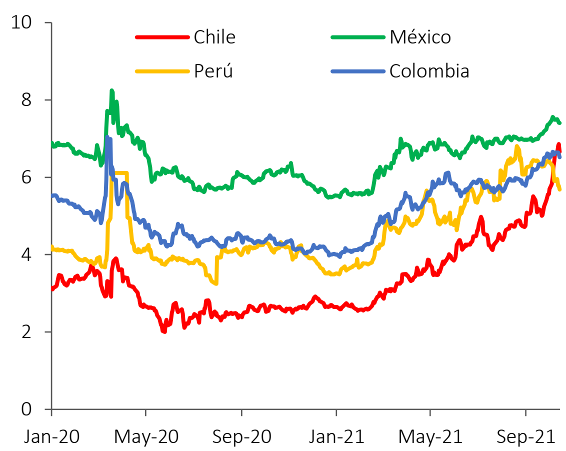
These potential massive settlements have begun to impact asset prices. Even if the Central Bank could implement a new special program for buying and selling financial instruments to diminish the short-term effects, its concretion could have more severe and permanent impacts on financial markets. This, in light of the weakened capital market and the inflation pressures caused by continuing with consecutive partial withdrawals and the possibility of withdrawing even 100% of the entire pension fund, as proposed by some congressmen and one presidential candidate.

In this context, long-term interest rates have climbed sharply by almost 130 bps throughout the month, leading the 10-year BTP (bonds in Pesos) to figures around 6.7% and the 10-year BTU (Bonds in Indexation Unit UF) to reach above 3.5%. These amount to their highest levels in ten years and stand above the price of sovereign bonds of countries in the region with a risk classification under Chile—Peru is two notches lower in their risk classification while Colombia is five notches below our country. Meanwhile, the stock market has receded by 9.6%, dipping once again below 4,000 points. Contextualising this drop are not only local factors but also adjustments that took place within international markets.

The Peso has also sharply depreciated by almost 4%, which drove the exchange rate to climb to $825. The Central Bank agreed in their last October meeting to halt the program initiated in January 2021 to replenish and expand reserves. Up to date, the program had accumulated reserves amounting to US$ 7.4 billion, slightly below the US$ 12.0 billion contemplated at the beginning.

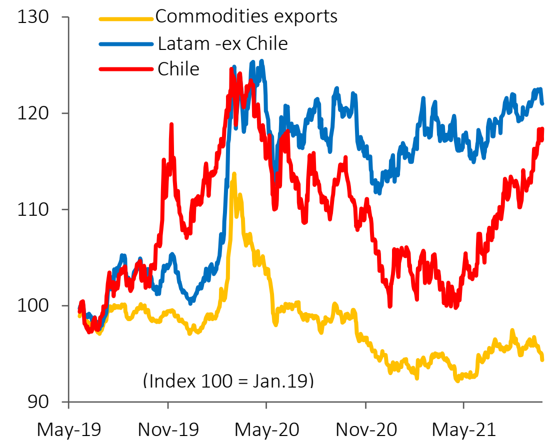
The above takes place in a context where new global risks have started to emerge. Primarily, the financial problems of some Chinese real estate companies have fostered concern over the country's medium-term growth. This opens up the possibility for downward corrections to the price of copper. In turn, the concretion of the US monetary normalisation process could create disruptions in global financial markets with the subsequent impact on local assets and additional pressure on the Peso.

Long-term rates surpass those of countries with lower risk classification



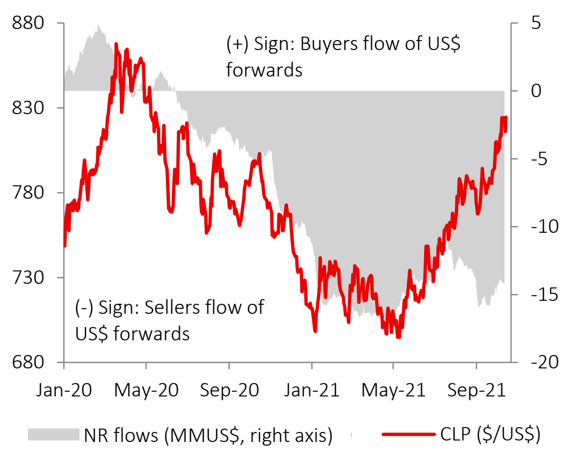
Source: Bloomberg, BCCh and Santander

Peso sharply depreciates



Source: Bloomberg and Santander

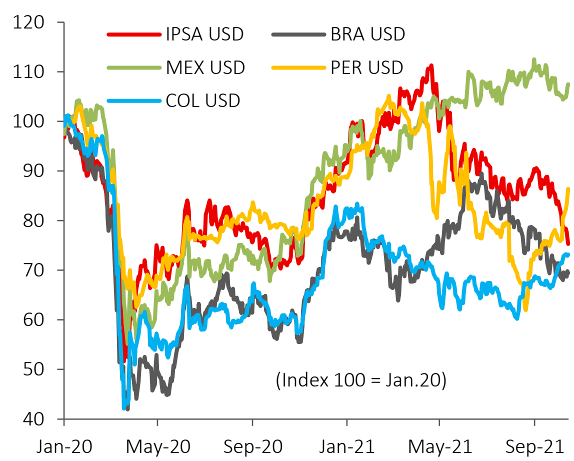
The currency depreciation is taking place despite the increment in the currency sales flow



Note: Sales flow corresponds to the difference over May 20.

Source: Bloomberg, BCCh and Santander

The local stock market exhibits the worst performance in the region.



Source: Bloomberg and Santander

September's surprising CPI ratifies scenario of intense inflation pressures

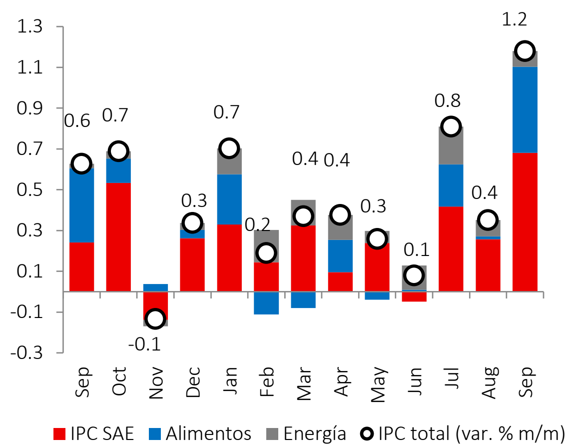
September's CPI climbed by 1.2% MoM, its highest record since June 2008, and quite above expectations (Santander 0.8%; Bloomberg: 0.8%; EEE: 0.6%). The rise was generalised, with positive movements in all components of the basket. The underlying variables also displayed high fluctuations. The CPI excluding Food and Energy (IPC SAE) rose to 0.9%, while the CPI excluding volatile components did so by 0.8%, which explained more than half of the total variation of the index. With this, the annual inflation reached 5.3%, its highest level since late 2014.

This hike explains part of the inflationary surprise in services' prices, which are again being directly measured. In particular, airline fares stand out (+23.5%), which after having been imputed for 17 months with 0.0% variation, captured the actual cumulative hikes for the period of April 2020-September 2021. Additionally, the rise in prices of new cars (+4.5%) and beef (9.2% historical peak; 0.2% incidence) stands out.

The high record for September confirms our scenario of intense inflation pressures, caused by the rise in import costs and the tightness in the offer side as well as by the dynamic demand stimulated by state aid and liquidity injections. This, in a context where the exchange rate has substantially depreciated.

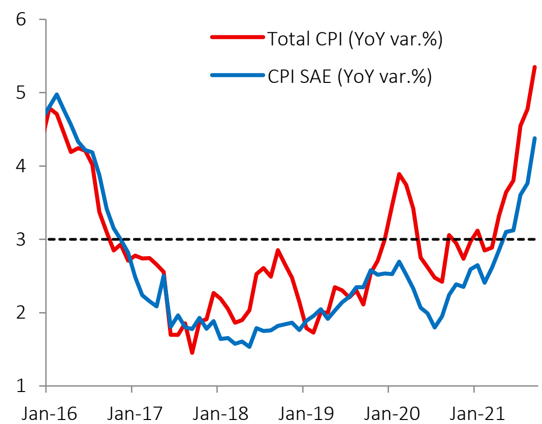
We estimate that prices will continue to increase significantly in the future, though it is possible that in October, figures will be lower due to the restoration of some items that climbed temporarily. Overall, we anticipate inflation will end in 2021 at around 6%, above the Central Bank's estimated figure in their last Monetary Policy Report (5.7%). If a fourth pension fund withdrawal is approved, the rise in prices could be even higher and would be reflected in between the end of the year and the beginnings of the next one.

The general hike of its components explains September's inflation



Source: INE and Santander

Annual inflation reached 5.3%



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

The Central Bank hastens the monetary normalisation pace

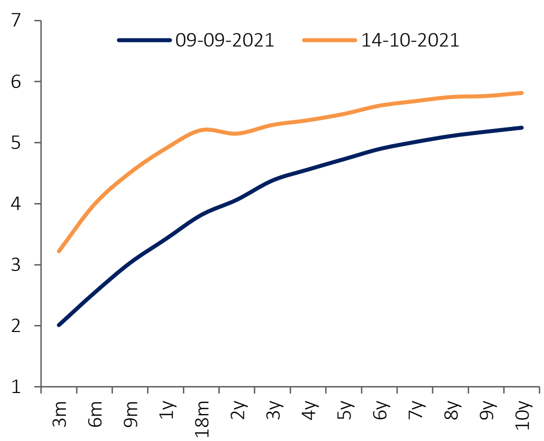
September's surprising CPI (1.2% MoM; 5.3% YoY) demonstrated that the inflationary pressures the economy is facing are more extensive than previously contemplated. Added to the possibility of a massive new liquidity injection in light of further pension fund withdrawals and the exchange rate depreciation, this has led to sharp upwards revisions to medium-term inflation prospects. Therefore, both the Financial Operators Survey (EOF) and the Economic Expectations Survey (EEE) forecast that prices will surpass the 3% target in the policy's horizon, while inflation insurances indicate the CPI will end 2021 above 6%, and reach 4% in 2022, in the upper limit of the tolerance range.

In this context, the Central Bank again rose aggressively the MPR (+125 bps) in their October meeting, driving it to 2.75%. The Council's unanimous decision was higher than part of the market's view that pointed towards 75 bps to 100 bps hikes (EOF and EEE), but slightly less than what swap rates implied (150 bps). This hike was also above what the Monetary Policy Report's rate band indicated in September, reflecting a sharp move ahead into the monetary stimulus withdrawal to prevent de-anchoring expectations.

Following the decision, the market rates once again rose (30 bps on average). With this, rates under one year are amassing hikes for over 140 bps above our previous report, suggesting that the rate policy would reach 3.75% by the end of the year and 6% by the end of 2022.

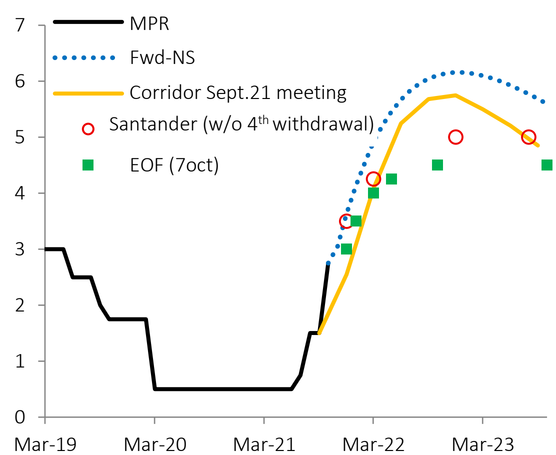
In their announcement, the Council indicated that the MPR would reach its neutral value (3.5%) before expected. In this context, our baseline scenario estimates that the MPR will hit this value by the end of 2021, considering it will experience a new hike of at least 75 bps in December's meeting. We anticipate a more moderate rising trend for 2022 that will end the year at around 5%. This assumes that inflationary pressures would tend to relent due to the adjustment to aggregate demand -and consumption- linked to the lower fiscal and monetary impulse.

The swap yield rate moderates its slope



Source: Bloomberg and Santander

The MPR will reach its neutral value by the end of 2021



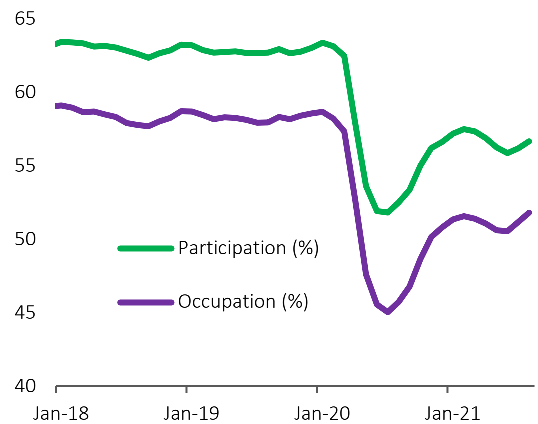
Source: Bloomberg, BCCh and Santander

In this sense, the primary risk to the monetary behaviour continues to be the approval of new liquidity injections that don't allow the necessary adjustment to the demand and that CPI figures remain high. Regardless, this relevant MPR move provides the Central Bank with a certain degree of freedom to calibrate the monetary normalisation pace in meetings to come. For example, if a fourth pension fund withdrawal is approved, new rate hikes could drive it to its neutral level already early next year. Conversely, if a further withdrawal does not thrive on the Senate, the Council would count with space to reduce the rising speed subject to inflation trends in the policy's horizon.

The labour market recovers but remains distant from its pre-pandemic situation

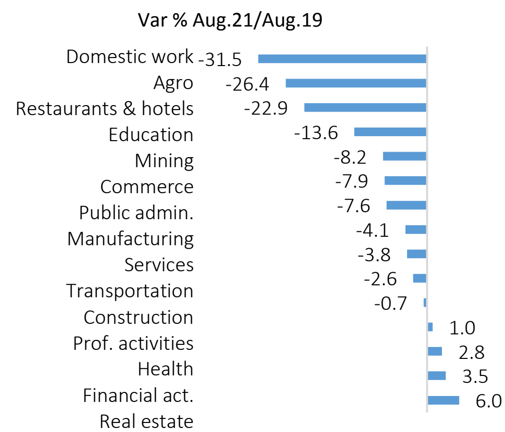
For its second consecutive month, working people increased by 110 thousand, affirming that the deconfinement progress has allowed the labour market's recovery. Nevertheless, there are still close to 700 thousand fewer job posts over the pre-pandemic levels, with wide heterogeneity between sectors. Some, such as construction and transport, are registering levels similar to August 2019, while professional services have tended to reach even higher over the same period. Conversely, sectors such as restaurants, hotels, agriculture, and domestic services remain quite below their levels of 24 months prior (-23%, -26% y -32% respectively). It is within expectations that part of these gaps will remain in time, considering that confinement measures sped up adjustment processes of some sectors, which could have been less intensive in terms of work. An example in this sense is commerce, which despite presenting record activity levels, continues to record close to 8% less employment than two years ago.

Shy progress in the labour market



Source: INE and Santander

Employment recovery is heterogeneous between sectors



Source: INE and Santander

Beyond changes to the sectoral demand for employment- that could affect the occupational adjustment speed- a slow normalisation of the workforce, which rose by only 82 thousand people in August, has also had an impact. With this, labour participation remains at around 57%, quite below its historical levels. This might be influenced, along with the high liquidity that households count with –which could be slowing down the reincorporation process, particularly of some economic segments- by the fact that until August, the needs linked to household care duties continued to restrict employment pursuits, as the return to in-person classes was still partial.

Restrictions on the occupational offer side have translated into the difficulty of filling job vacancies. Therefore, the last meeting of the Employment Agency System indicated that, even though vacancies hit 77% over their pre-pandemic figure, applications reach only half of those observed in this same period.

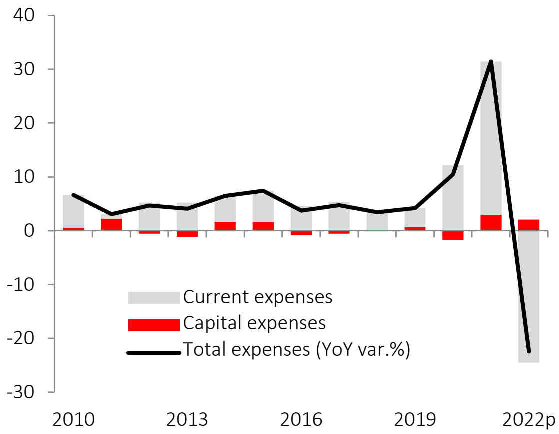
Budget Bill gives the first step into the necessary fiscal consolidation.

The Budget Bill for next year considers an expenditure reduction of 22.5% over its estimated closing figure for 2021 (an increment of 3.7% over the approved Budget for this year), which will cause the rate of spending over GDP to shrink from 32% to 24% of the GDP, a figure consistent with the one observed before the pandemic.

The fiscal adjustment concentrates on current spending- which falls 28% regarding its prospect for the year-, while the capital expenditure grows by 17.6%. Even though the rise in public investment is substantial and is aligned to the need to leverage activity beyond the consumption shock, the execution speed of projects could be affected as this would be the first year of a new government, which entails an adaption period and possible emphasis changes on behalf of new authorities.

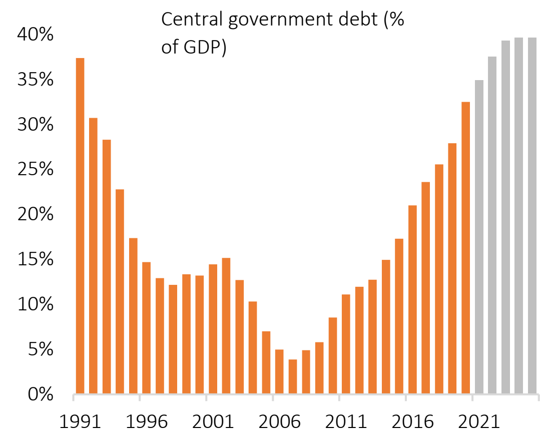
According to the Dipres projections, even though the price of copper would remain high, at around US$ 4 per pound, incomes would still suffer a 7% drop for next year. This is due to the high comparison basis left by the reversion of taxing measures applied in 2020, which created higher incomes this year.

Budget contemplates strong contraction to expenditure for 2022



Source: Dipres and Santander

The government projects a debt stabilisation at around 40% of the GDP towards 2025



Note: debt estimated from spending consistent with the target assuming a convergence of the structural deficit of 1% of the annual GDP

Source: Ministry of Finance and Santander

With this, the fiscal deficit would go from 8.5% of the GDP this year to 2.8% of the GDP in the next one, while its structural counterpart would shrink from 11.5% to 3.9% of the GDP. This reduction constitutes the first step to direct the debt dynamic into a more sustainable trend in the medium term.

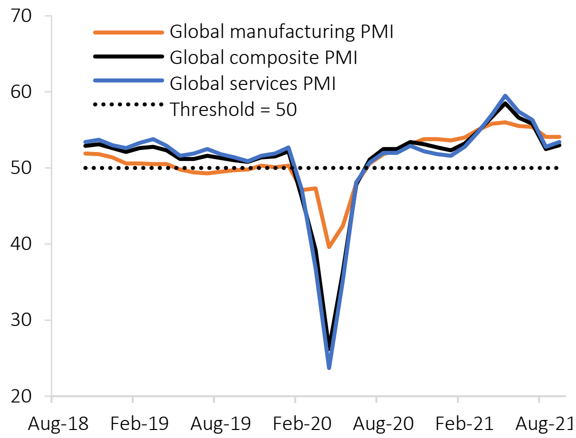
The Autonomous Fiscal Council (CFA) has also stressed the need to undertake a significant adjustment in 2022. According to this organisation's different simulations, if this adjustment does not occur, public debt could reach above 50% of the GDP by 2025. Furthermore, the Council has called attention to interest spending, which would involve higher levels of debt. Currently, this item amounts to 1% of the GDP, but it could climb to a 2% to 5% range of the GDP per year according to the CFA different scenarios.

Along with the Budget, the Government has submitted a draft law to Congress that modifies the Fiscal Responsibility Law. According to it, each Government will have to set a target for the Net Financial Position of their period and define a path of structural balance consistent with it. Even though the proposal is interesting to the discussion of limiting the public debt, it is vital for there to be a political will to contain the deficit and to stress the importance of a healthy fiscal situation. For the same reasons, the signs that the next government gives regarding this area will be relevant.

Markets prepare for the beginning of the stimulus withdrawal on the FED's behalf

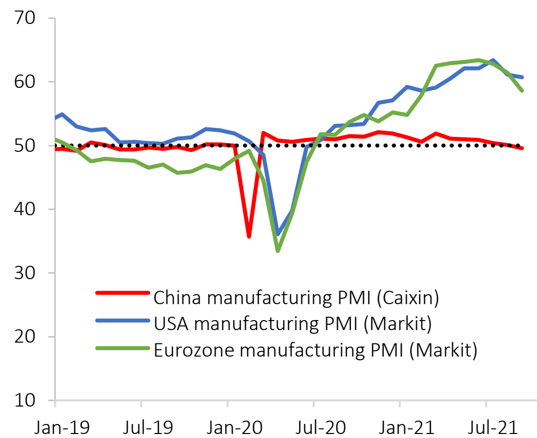
In the international arena, the Delta variant infections are moving farther from the peak observed a month ago, halting the deterioration of economic prospects, especially those linked to the services sector. Nevertheless, the manufacturing industry remains affected by disruptions to value chains, and more recently, by the tightness of China's energy sector, which has had to adjust to stricter regulations to progress in reducing carbon emissions.

Global and services prospects halt drop and remain in growing territory...



Source: Bloomberg and Santander

... while the manufacturing sector continued to moderate, with China nearing negative territory



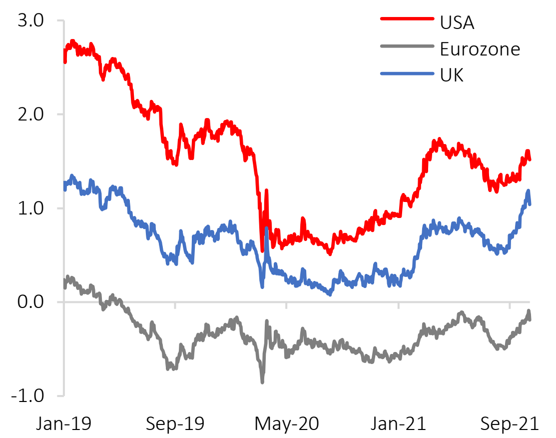
Source: Bloomberg and Santander

Inflation continues to be a motive of concern which has been aggravated by the sharp rise in the price of oil (19% in a month). This has reinforced the leading central bank's view of more hawkish policies, raising the long-term treasuries' yields by 23 bps average during recent weeks.

In their last intervention, Fed's president Jerome Powell pointed towards a start of the quantitative stimulus withdrawal (tapering) as soon as during their meeting on November 2nd and 3rd, in light of the solid activity's progress (GDP 2Q21: 6.7% vs 6.3% the 1Q21). The probability that the tapering is effectively announced in the next meeting has been reinforced by the signs given by the Minute-which indicates that the start of a gradual moderation of asset purchasing may take place by mid-November or December, concluding by mid-2022-and the last readings of the labour market that, albeit nuances, continue to show progress (unemployment rate: 4.8% vs previous 5.2%; ADP jobs: 568,000 vs 374,000 expected in August). In turn, September's dots reflected the hastening of the initiation of the reference rate's normalisation, with nine members (out of 18 in total) anticipating an increment in 2022. This is in line with the upwards revision to inflation prospects-which would remain above the 2% target until 2024- and with a new surprise in September (CPI:0.4% MoM vs 0.3% expected), which ratifies the existing high pressures, driving the annual figure to 5.4%, its highest level since July 2008 (5.6%).

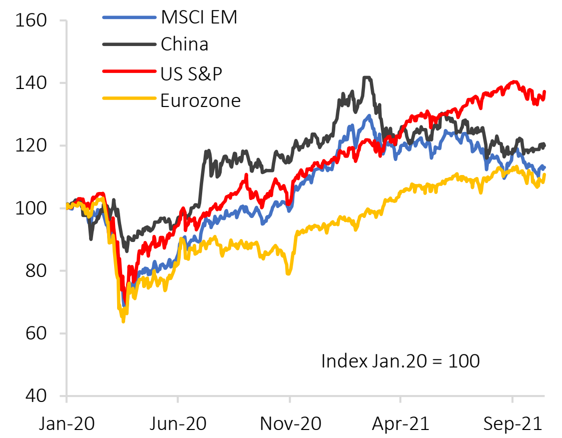
The political domain in the US has been dominated by discussions to limit debt after the Treasury's secretary Janet Yellen urged on reaching an agreement before October 18, which was achieved, suspending the debt cap temporarily until the end of the year to prevent cessation of payments. At the possibility of a partial government closure, President Biden signed a Budget Bill that extends funding until December 3, while negotiations regarding spending plans and a definite suspension to the debt threshold continue.

Long term rates react strongly to renewed inflation pressures



Source: Bloomberg and Santander

Global markets shrank, though with marginal revisions



Source: Bloomberg and Santander

In the Eurozone, inflation became one of the main focal points after September's CPI escalated to 3.4% in annual terms (the previous figure being 3%). This is driving the discussion about the adequate timing to start the monetary stimulus withdrawal and to make efforts to anchor medium-term expectations to orbit the 2% target. The activity figures have given mixed signals: August retail sales were disappointing (0.3% MoM vs 0.8% expected), with null progress in twelve months (0.0% vs 3.1% before), and September's PMI manufacturing index slowed down for its third consecutive month (58.6 vs 61.4 before). Nevertheless, the PMI services index's final reading was slightly better than expected (56.4 vs 56.3 expected), anticipating a lower impact of the recent rise of infections onwards.

China's financial situation has also been a concerning factor, after Evergrande, a real estate developer with liabilities over US$ 300 billion, breached debt obligations in dollars that could lead to its bankruptcy. Even though this could be the final outcome for this company, the risk of a financial problem at a global level seems contained. Overall, the latter reflects a housing sector that will lose dynamism, and with this, it might cause China's growth which has already shown signs of a slowdown, to shrink. Furthermore, foreign trade figures were known, which, despite remaining buoyant, gave mixed signals during September (exports: 28.1% YoY vs 21.5% expected; imports: 17.6% YoY vs 20.9% expected).

In this context, the IMF slightly corrected its activity prospects for the year down, from 6.0% in July to 5.9%, while maintaining their 4.9% estimate for 2022. Standing out is the leading economies' downward revision to 5.2% for 2021 (-40bps over July), contrasting with the favourable prospects of emerging and developing countries (6.4% in 2021 and 5.1% for 2022). Despite this, the IMF warned that the sanitary concerns, the supply issues, the lagging employment, and the pressure on prices would maintain uncertainty high.

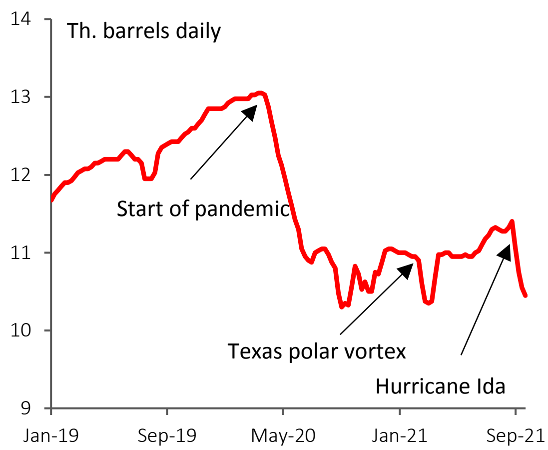
All things considered, the stock indexes retreated in a generalised manner during the last month (global MSCI: -3%), led by the emerging block (-3%); Latin America (-7%) and Japan (-4%), with a strengthened global dollar (DXY: -2%)

A more restricted offer drives the price of oil up

The oil price has been registering a sustained upwards trend, pressured by a more limited offer affected by the substantial production reduction in the US (a million fewer barrels equivalent to 1% of the world production). This occurred in the wake of Hurricane Ida some weeks ago, with damages affecting the sector's infrastructure. The above is compounded with OPEC Plus's decision to maintain their production contained and the substantial rise in the price of natural gas, which encourages the substitution for petroleum products in some industries, involving an additional increment in the demand for crude oil.

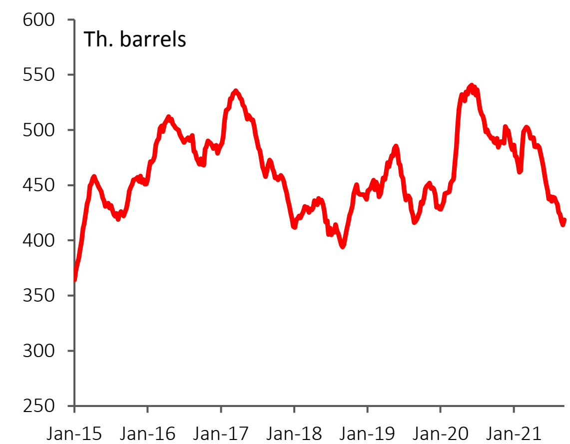
The imbalance between offer and demand has translated to new drops in inventories, with the case of the US standing out as the world's biggest consumer, while crude oil and gasoline inventories are in the lower part of the range of the last five years. Therefore, the WTI price has surpassed US$ 80 per barrel, while Brent prices have neared US$ 84, its highest level since 2014. The market prospects have been revised upwards, with some investment banks increasing their Brent price prospect for the year's end to US$ 90 standing out.

Oil Production in the US fall sharply due to Hurricane Ida



Source: EIA and Santander

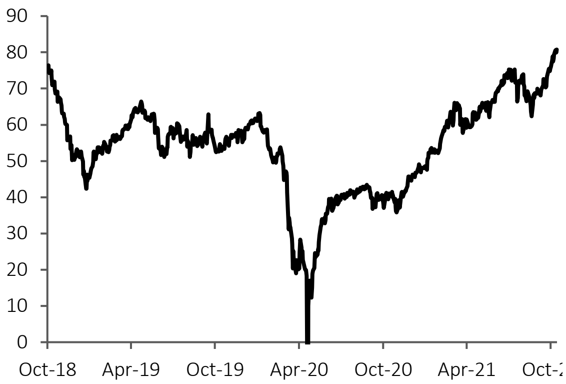
US inventories near the lowest figure of recent years



Source: EIA and Santander

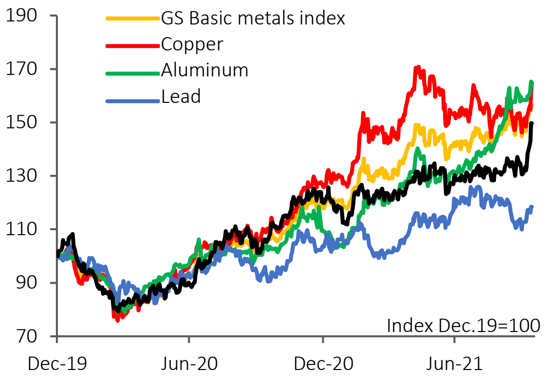
Meanwhile, after remaining quite stable since mid-June (at around US$4.2 the pound), the price of copper has once again experienced vigorous hikes, accruing a 10% rise in the last two weeks (surpassing US$ 4.5 per pound), due to inventory adjustments. China's lower growth prospects in coming quarters remain, for the moment, the leading factor that will determine the price in the following months. Therefore, the most likely scenario is a trend of prices below current ones, considering that China would be willing to sell part of their reserves in the remainder of the year to contain the inflation pressures linked to hikes in commodities.

WTI oil price reaches peaks since 2014 (US$/barrel)



Source: Bloomberg and Santander

Copper price strongly rises in recent weeks



Source: Bloomberg and Santander

According to Cochilco's last quarterly report regarding the global copper market, a deficit of 153 thousand metric tonnes is projected for this year, while a surplus of 190 thousand tonnes is estimated for the next. The growth in demand, estimated at 2.4% this year and 3.0% the next one, would still be led by China, while on the demand's side, in terms of mine production, Chile would maintain the first place, even though Peru is closing in with 6.0% and 7.0% growths in 2021 and 2022 respectively, against only 0.0% and 1.6% from Chile.

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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	11.0	1.0/2.0
Internal demand (real var. % YoY)	-0.5	2.5	1.8	2.9	4.5	1.0	-9.1	19.5	-0.5
Total consumption (real var. % YoY)	2.9	2.6	3.5	3.6	3.7	0.8	-6.9	17.5	-2.0
Private consumption (real var. % YoY)	2.7	2.1	2.7	3.4	3.8	1.0	-7.5	19.0	-2.0
Public consumption (real var. % YoY)	3.8	4.8	7.2	4.6	3.3	-0.2	-3.9	11.5	-2.5
Gross fixed capital formation. (Real var. % YoY)	-4.8	-0.3	-1.3	-3.1	5.1	4.4	-11.5	16.0	-1.0
Exports (real var. % YoY)	0.3	-1.7	0.5	-1.5	5.3	-2.6	-1.0	1.0	2.5
Imports (real var. % YoY)	-6.5	-1.1	0.9	4.6	8.1	-2.4	-12.7	30.0	-3.5
GDP (US$ billions)	260.6	244.3	250.6	277.1	298.2	279.8	253.7	311	298
GDP per capita (US$ thousands)	14.6	13.6	13.8	15.0	15.9	14.8	13.0	15.8	15.0
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	13.0	14.0
Exports (US$ billions)	75.1	62.0	60.7	68.8	75.2	69.9	71.7	91.5	88.0
Imports (US$ billions)	68.6	58.6	55.9	61.4	70.6	65.7	54.9	78.5	74.0
Current account (US$ billions)	-5.2	-5.7	-5.0	-6.4	-9.2	-10.5	3.4	-11.0	-6.4
Current account (GDP%)	-2.0	-2.4	-2.0	-2.3	-3.1	-3.7	1.3	-3.5	-2.1
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	6.0	4.1
CPI Inflation (var. YoY, average %)	4.7	4.3	3.8	2.2	2.4	2.3	3.0	4.3	5.5
CPI sans food and fuel inflation (IPC-SAE) (var. YoY December)	4.3	4.7	2.8	1.9	2.3	2.5	2.6	4.7	4.0
CLP/US$ exchange rate (year's exercise)	607	707	667	615	696	745	711	820	830
CLP/US$ exchange rate (year average)	570	654	677	649	640	703	792	762	825
Monetary policy rate (year's exercise, %)	3.00	3.50	3.50	2.50	2.75	1.75	0.5	3.5	5.0
Monetary policy rate (%, year average)	3.75	3.06	3.5	2.7	2.52	2.48	0.8	1.3	4.6

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	-25
Central Government balance (% GDP)	-1.6	-2.2	-2.7	-2.8	-1.6	-2.8	-7.4	-8.5	3.0
Central Gov. gross Debt (US$ billions)	36.6	39.0	53.4	68.9	70.2	74.4	91.6	113	130

Source: BCCh, INE and Santander.

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