Increased inflationary pressures prompt the Central Bank to accelerate the monetary stimulus withdrawal

Long-term rates in the country rose strongly in response to the Central Bank's indications, the domestic political uncertainty, and the possibility of a new pension-fund withdrawal.

Highlights

The local economy is expected to grow by two digits this year, underpinned by the progress in the easing of lockdown measures and the boost to consumption given the high liquidity. Although moderation is expected towards the end of the year, our estimates for growth stand between 10% and 11%. Nevertheless, activity will significantly slow down in 2022 due to lower fiscal stimulus, high political uncertainty, and less expansionary financial conditions.

Employment shows marginal signs of recovery, but gaps remain wide. In July, the number of employed persons increased after several months of stagnation, and the unemployment rate fell to 8.9%. Demand for labour has continued to grow, but supply remains low, accelerating average wages.

For the second consecutive month, the CPI reached above expectations, reflecting higher inflationary pressures. August's figure (0.4%) was influenced by the recovery in services and also by the rise in prices of those goods affected by supply chains. As a result, we will again see high variations in prices during September, and the year will end with inflation at around 5.3%.

Consistent with the new macro scenario, the Central Bank corrects its monetary strategy and accelerates the stimulus withdrawal. Higher growth prospects and inflationary pressures are expected to drive the Monetary Policy Rate up to 2.5% by the end of 2021, with hikes of 50 bps at each of the remaining two meetings of the year.

The possibility of a further pension-fund withdrawal raises the risk of overheating. An additional massive injection of liquidity would provide a further temporary boost to the economy and put higher pressure on prices so that the CPI could end the year above 6%. In comparison, the MPR would be close to 3% by December.

The budget discussion will be marked by the size of the fiscal adjustment towards 2022. After this year's unprecedented expansion concerning household and business subsidies, the 2022 budget should see a significant reduction in spending, which will hamper domestic demand. Otherwise, the economy will continue with strong momentum, which will impact the medium-term monetary strategy.

Activity in advanced economies remains dynamic, albeit with concerns about resurgences of the pandemic associated with the Delta variant. The Chinese economy had a sharper slowdown due to factors that are so far considered to be isolated. Furthermore, the Fed's dovish tone regarding the monetary stimulus withdrawal eased global markets' anxiety.

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

LORENA PALOMEQUE
Economist
lorena.palomeque@santander.cl

CARMEN GLORIA SILVA
Economist
carmengloria.silva@santander.cl

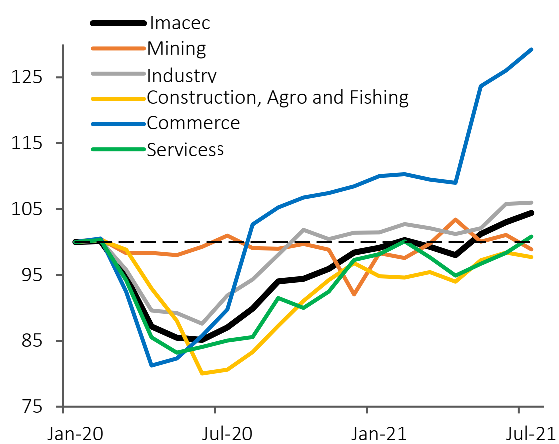
MIGUEL SANTANA
Economist
miguelpatricio.santana@santander.cl

FABIÁN SEPÚLVEDA
Economist
fabian.sepulveda@santander.cl

Growth would reach double digits this year, but activity will slow significantly by 2022

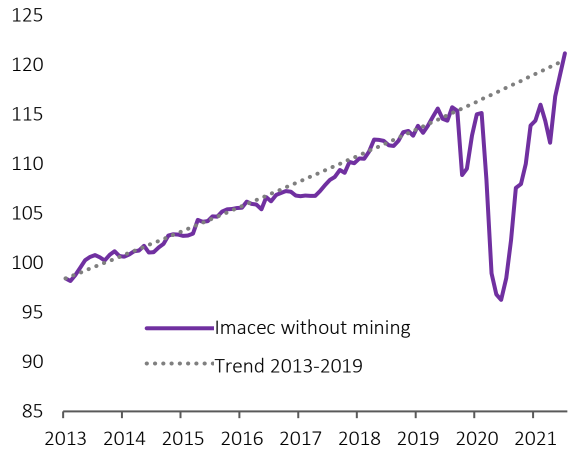
The visible improvement in the sanitary situation - infections have been steadily declining for three months and currently stand at fewer than 500 per day - has allowed further deconfinement, with 95% of the population nationwide now in Phase 4. Furthermore, there is a strong recovery of mobility, which in July reached pre-pandemic levels for the first time. Finally, along with strong liquidity injections and stimulus measures, the economy has continued to expand at a solid pace, driven by consumption.

July's Imacec expanded firmly, led by services and trade



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

Activity has returned to its pre-pandemic trend.



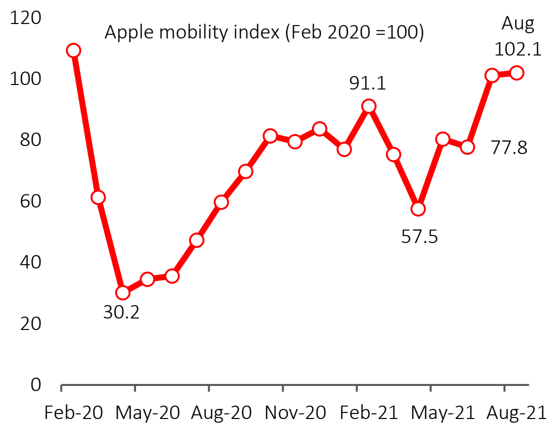
Source: BCCh and Santander

July's Imacec showed a significant increment (1.4% MoM; 18.1% YoY) led by the recovery in services (2.5% MoM) and a steeper rise in trade, which remains well above sustainable levels. Nevertheless, some preliminary indicators for August hint at some moderation. Foreign trade figures rose again, and the Business Confidence Indicator (IMCE) reached record peaks, but new car sales declined slightly (-1.7% MoM), as did electricity generation (-1.3% MoM).

Against this background, the Central Bank revised its growth projection for the year to a range between 10.5% and 11.5% upwards. Furthermore, in its Monetary Policy Report (IPoM), the Central Bank highlighted that consumption has been more buoyant than expected, which could reflect an increase in households' consumption propensity. Additionally, fiscal spending for the year will be higher than assessed in the previous report due to the extension of the universal Emergency Family Income (IFE) until the end of the year, which adds 2% of GDP in stronger stimulus. Within these circumstances, the two-month extension of the IFE and the substantial liquidity available in current accounts should maintain the high dynamism of activity for the remainder of the year.

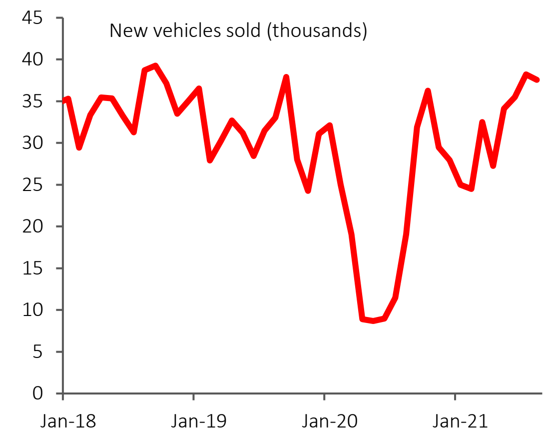
We expect the economy to expand between 10% and 11% in our baseline scenario, somewhat less than the Central Bank's forecast. Despite liquidity injections, we see consumption patterns as unsustainable and should moderate towards the end of the year. **Nonetheless, if the fourth withdrawal of pension funds were to materialise, an additional boost to domestic demand would occur, with a consequent impact on activity and prices.**

Mobility at around pre-pandemic levels



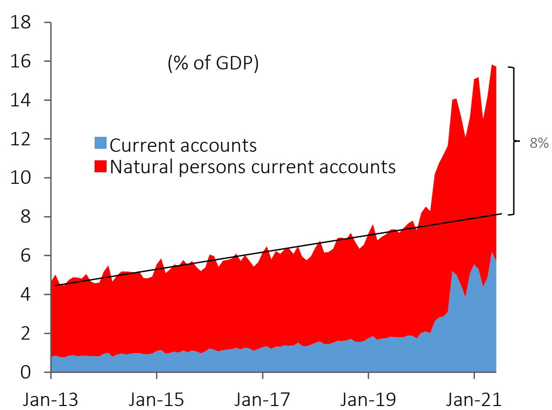
Source: Apple Inc. and Santander

New car sales marginally moderating



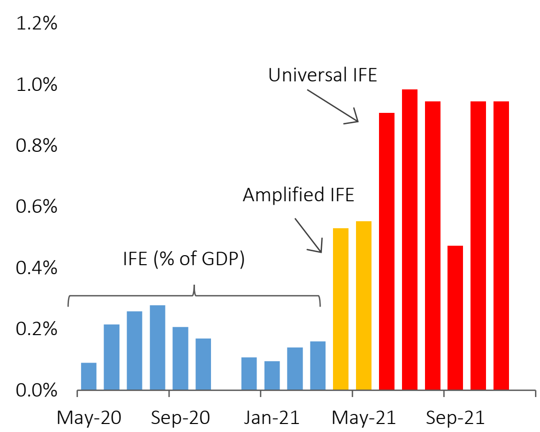
Source: ANAC and Santander

Households' liquidity remains high



Source: CMF and Santander

Fiscal impulse will intensify in the second part of the year



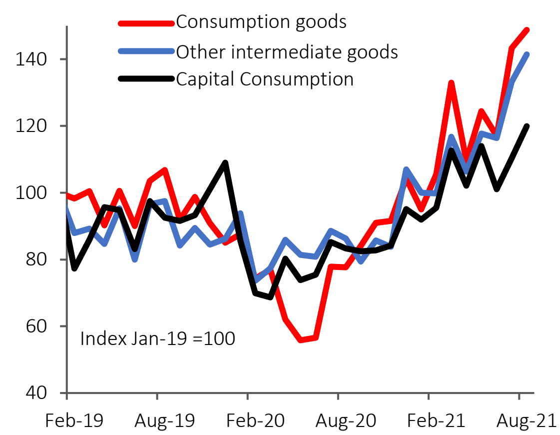
Source: Ministry of Finance and Santander

Even though the economy will show a record expansion this year, 2022 will see a significant slowdown. As a result, liquidity injections will tend to dissipate, and the extraordinary fiscal impulse of 2021 will not continue into the following year. The magnitude of the budgetary consolidation – to be known in the upcoming fiscal budget discussion - remains to be seen. Still, any scenario that aims at a sustainable public expenditure trend will require a double-digit contraction in public spending. Meanwhile, employment recovery is likely to be delayed due to the structural changes triggered by the pandemic. The question in this context is whether the pace of investment recovery will be enough to boost domestic demand to replace consumption.

Although imports of capital goods have shown an outstanding performance in recent months, this could be explained by transitory factors – replacement of depreciated machinery– and some projects in the energy sector that will only affect this year. Meanwhile, the Capital Asset Corporation (CBC)'s cadastre estimates that US$ 16.45 billion in major projects will be implemented in 2022, a figure akin to that estimated for 2020 and 2021. Furthermore, the tightening of financial conditions and the climate of political uncertainty in Chile make it challenging to envision a significant increase in investment.

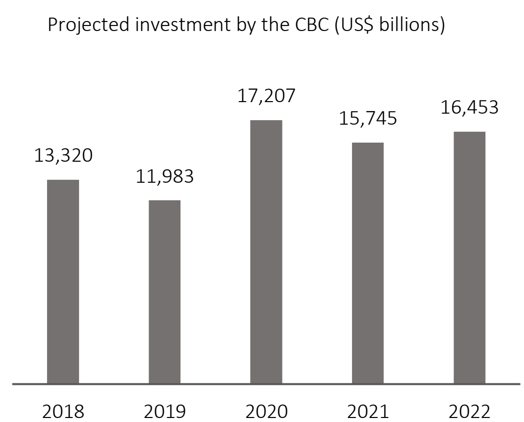
Accordingly, we estimate that the GDP growth will be minimal next year, between 1% and 2%, somewhat below the IPoM estimate (1.5%-2.5%). A contraction of the economy in 2022 cannot be ruled out if the fiscal adjustment is substantial (with a spending drop of more than 20%) and if the political uncertainty persists. Conversely, although the pandemic has evolved favourably in the country, additional outbreaks forcing the re-imposition of containment measures that could slow down the activity cannot be ruled out.

Imports: Thriving performance of capital goods marred by record consumption



Source: BCCh

Leading indicators for investment show no significant momentum

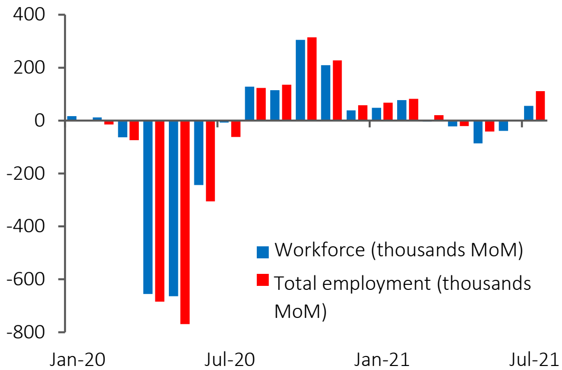


Note: Estimated amount in the Cadastre of the second quarter of the previous year.
Source: Capital Asset Corporation (CBC)

Employment recovers, but labour participation still lags far behind

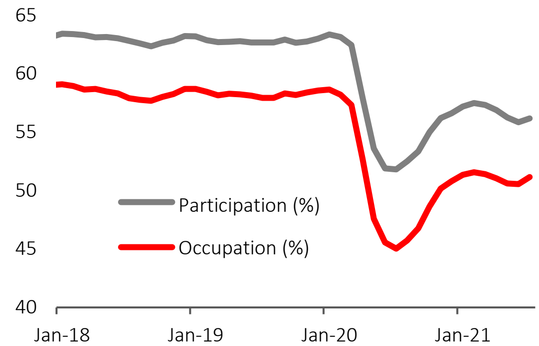
After several months of stagnation, employment in July recorded a significant increase of slightly above 100,000 people over the previous month. The labour force also increased, but more modestly (+63,000), bringing the unemployment rate down to 8.9%, the lowest level since the pandemic began. Nevertheless, the gaps in the labour market remain significant. There are about 900,000 fewer jobs than at the beginning of 2020. Moreover, labour force participation remains at around 56%, below the close to 63% level before the pandemic. Furthermore, the marginal increase in employment is almost exclusively attributed to informal employment. Meanwhile, formal work has stagnated, as shown by data on pension and unemployment insurance contributors.

Labour market recovers in line with the progress of deconfinement



Note: Seasonally adjusted figures
Source: INE and Santander

Gaps compared to the pre-pandemic situation remain substantial.

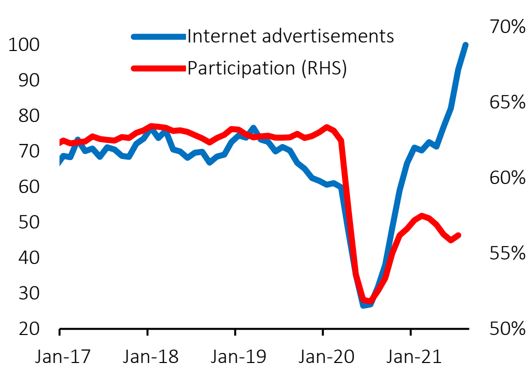


Source: INE and Santander

In the short term, the main uncertainty is the speed at which labour supply could recover, which appears to be the primary impediment to an increase in employment. As mentioned above, there are several factors behind the low labour force participation. One of these is the caregiving responsibilities of families when children are not attending school presentially. In addition, although progress on deconfinement has allowed the resumption of several activities, attendance in schools remains limited (only 19%, according to the "National Survey of Schools in Pandemic" conducted in mid-August). As a result, women's re-entry into the labour force may take longer.

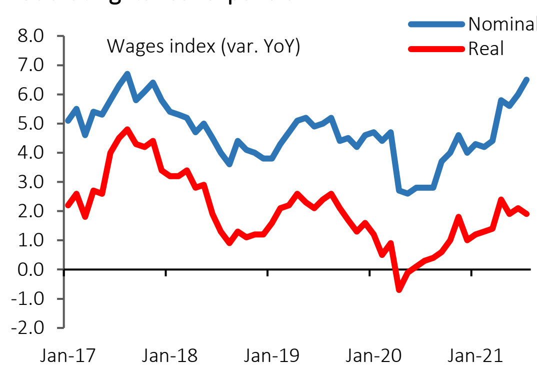
Demand continues to be very dynamic, according to several indicators. Internet job advertisements have reached new peaks and, according to the latest report from the "Job Board System", vacancies available in July were 85% higher than the last pre-pandemic record. Similarly, the Central Bank's Business Perceptions Report informed that 51% of the companies looking for employees during 2021 had failed to fill their vacancies. This scenario has continued to drive wages up (6.5% nominal YoY, 1.9% in real terms), reflecting the imbalance between labour supply and demand.

Demand for labour reaches new peaks



Source: BCCh, INE and Santander

Wages continue to rise, although inflation is moderating its real expansion



Source: INE and Santander

Turnaround in macroeconomic scenario strongly impacts local asset values

The outlook concerning higher inflation, the significant increase in the Monetary Policy Rate (MPR) and a more hawkish view of the Central Bank's future monetary policy, compounded to higher risk premiums, has led to further declines in local assets' values.

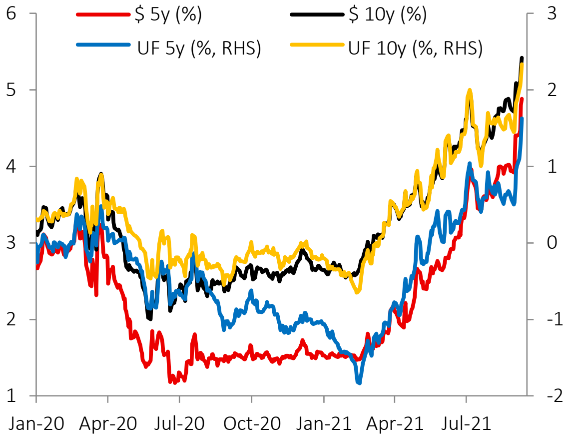
Nominal interest rates rose across the entire curve, with somewhat sharper movements at the short end. One-year bond rates rose by 180bps, while 10-year rates rose by 75bps and were above 5.4% at as this report was issued, their highest level since 2013. Even though there has been some flattening of the yield curve, the fact that long rates have risen after the Central Bank's turnaround is striking. It suggests that the market has begun to incorporate the prospect of higher inflation in the future. UF rates increased by lower magnitudes (+70 bps BTU10), thus reflecting further increments to inflationary offsets, which are already above 3% over the policy ranges.

The local stock market had an upward trend during August, driven by positive contagion figures and prospects for high growth this year. Thus, the local stock index IPSA again reached 4,500 points, outperforming the index's returns in the region. Nevertheless, the incipient discussion concerning a new pension fund withdrawal raised risk premiums and pushed the stock market back to levels close to where it was at the beginning of August, below 4,400 points.

The Peso has been subjected to high volatility in recent weeks. After a systematic depreciating trend since May, the currency tended to stabilise at the beginning of August. It appreciated significantly after the IPoM, aided not only by the restriction of local monetary conditions but also by the strengthening of copper and a global depreciation of the dollar. Nevertheless, it continued depreciating sharply again at the close of this report (to $ 794).

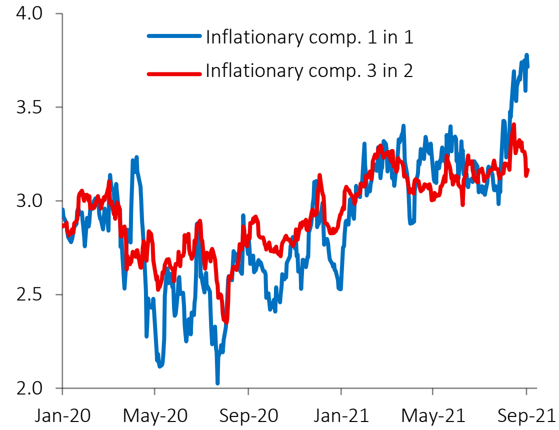
In the coming weeks, markets will be subject to high volatility due to the possibility of a further pension-funds withdrawal. According to various estimates, if this initiative is approved, the total amount that could be withdrawn would again be around US$ 17 billion (6.4% of GDP). Even if the withdrawals are taxable – which has been proposed as a way to contain them – a very significant fraction of the amounts may be drawn, as was the case with the second withdrawal. This will involve asset liquidations and drive interest rates up and the stock market down. This scenario would be absorbed by recent swap rate movements pointing to an MPR of around 3% by the end of 2021. In addition, while the inflow of foreign exchange from the sale of external positions could appreciate the currency in the short term, inflationary pressures from a further withdrawal, as well as the decline in domestic savings and the weakening of the capital market, will tend to weaken the currency. Therefore, the exchange rate would depreciate further and could reach above $800. Other factors that will also pressure the exchange rate are the possibility of moderation in copper prices and the beginning of the stimulus withdrawal in the US.

Interest rates show sharp upward correction on inflationary pressures and higher risk



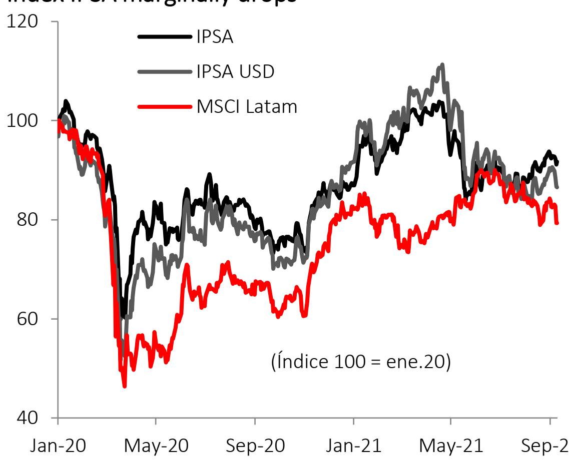
Source: RiskAmerica, Central Bank and Santander

Inflationary compensations remain at record peaks



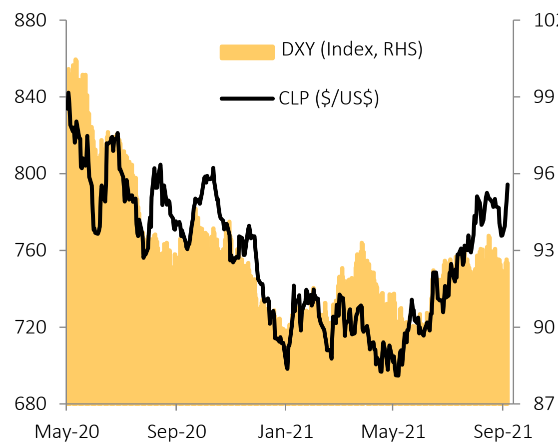
Source: Central Bank and Santander

After recovering during the month, the local stock index IPSA marginally drops



Source: Bloomberg and Santander

The exchange rate resumes its upward trend driven by idiosyncratic factors

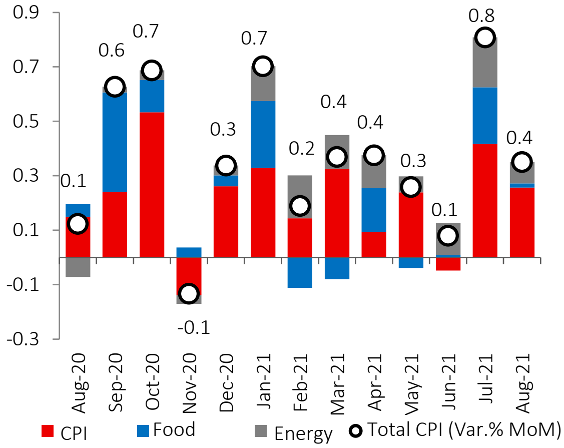


Source: Bloomberg and Santander

August's CPI confirms that inflationary pressures have been materialising

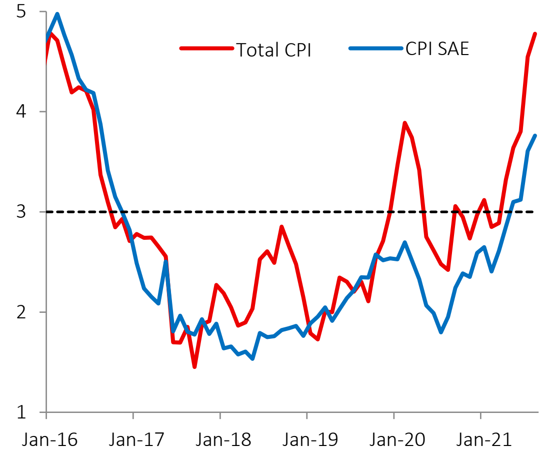
For the second consecutive month, the CPI was above market expectations (0.4% vs 0.3% expected) and accumulated an increase of 3.2% since last December. Although the figure for the month was considerably lower than in July (0.8%), it again reflected the impact of the opening up of the economy and the strong dynamism of consumption. The month's progress, coupled with low comparison bases, drove annual inflation up to 4.8%.

July and August's inflation mainly explained by underlying components



Source: INE and Santander

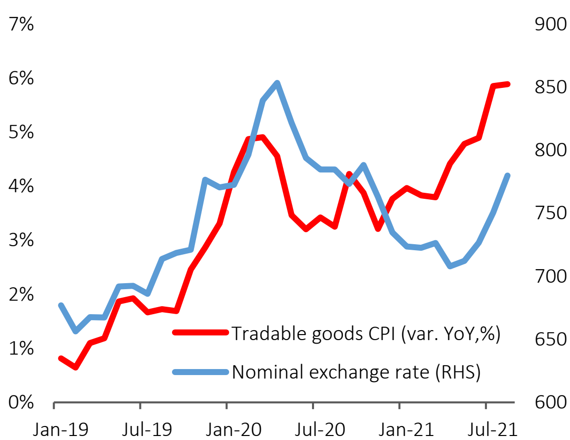
Annual inflation at 4.8%, core inflation at 3.8%, the highest since 2016



Source: INE and Santander

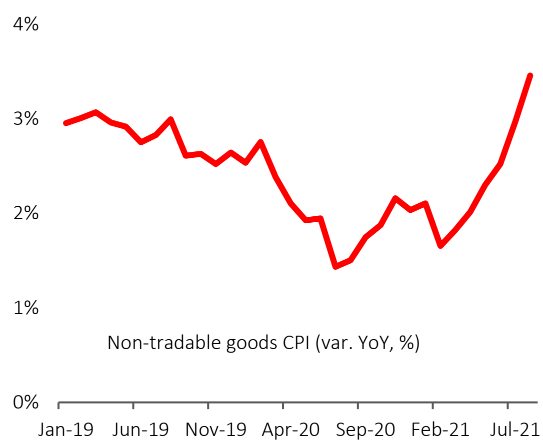
The gains have reflected, beyond the price rise of some goods linked to supply restrictions – such as new cars, which underwent significant increments in July and August–, a larger shift from imported costs to local prices due to the solid sales of several items. Conversely, progress in the easing of lockdown measures has impacted the prices of some services, especially those that were not directly assessed by the National Statistics Institute (INE) until recently but imputed. Therefore, restaurant and hotel prices recorded a historical 1.8% rise during August, for example, their highest since 2010.

Pass-through of imported costs into tradable goods inflation has risen



Source: INE and Santander

Inflation of non-tradable goods has accelerated



Source: INE and Santander

The end of the price imputations will be particularly relevant during September when highly weighted services such as Airfare and Package Tours will be reassessed. Furthermore, preliminary data for the month show that food prices register significant increases, in line with historical seasonal patterns. Moreover, some moderation has been observed in the prices of some product lines that recorded historical hikes in 2020 (household electrical, automotive spare parts, tools, audiovisual equipment) due to a normalisation of inventories. Thus, we assess this month's CPI growth to range between 0.7% and 0.9%.

For the future, the inflation projections have been adjusted significantly upwards, particularly following September's IPoM, where the Central Bank raised its year-end estimate to 5.7% (from 4.4% in their previous report). Additionally, inflationary expectations based on some surveys and financial prices have also risen significantly. Given the above, we have adjusted our inflation projections upwards to around 5.3% for the year. This figure does not consider a possible fourth pension-funds withdrawal. If this occurs, the pressure on prices would be even more substantial, and the year could close with an annual CPI variation above 6%.

The Central Bank accelerates the pace of the monetary stimulus withdrawal

After the unexpected MPR'S 25 bps hike during July, the Central Bank's Board unanimously raised the rate again at the end of August, this time by 75 bps, reaching 1.5%. This accelerated the pace of the monetary normalisation process, although the momentum remains quite significant. While this was the highest hike since the nominal rate has been used as a policy instrument, fewer meetings in the year since 2018 make movements of this magnitude more likely. The IPoM pointed to faster increments than previously reported and what the market had hitherto considered, suggesting that the policy rate could swell to its neutral level – at around 3.5% – during the first half of next year, before increasing above 4.5% by the end of 2022.

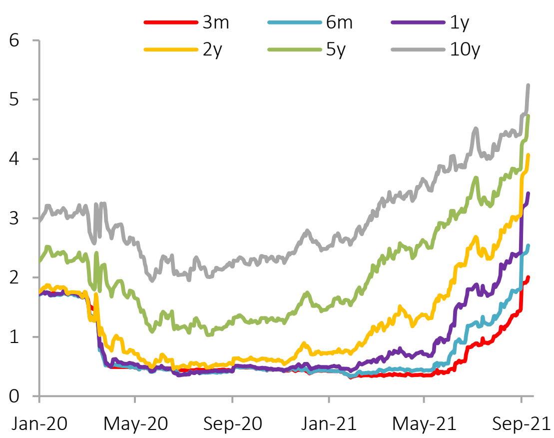
This view, which is much more hawkish in nature than the previous IPoM suggested, answers to the change in the macroeconomic scenario outlined in the new report. This report forecasts a solid aggregate demand and GDP growth this year – resulting from a highly expansionary fiscal policy and the liquidity shocks received by households so far– and the significant acceleration in inflation, which is expected to be well above the tolerance range in the coming months. Moreover, it comes in a context where inflationary expectations at various horizons have risen rapidly. Among these, the latest Financial Traders Survey (FTS) stands out, which indicated inflation above the 3% target over a two-year horizon. This suggests that the risks of a de-anchoring of expectations have increased considerably.

Following the IPoM, market rates intensified their upward trend and aligned with the baseline scenario outlined in the report. Therefore, swap rates now suggest that the MPR could end the year at around 3% and end 2022 at approximately 5% (lower than the upper limit of the IPoM rate broker).

The most likely scenario in our view is that the Council will raise the MPR by 50bps at each of the next two remaining meetings of the year, to close at 2.5%. The stimulus withdrawal pace would then be slower than what was projected by the Central Bank and the market. Specifically, we assess that, in the event of a significant fiscal adjustment with a substantial reduction in the structural deficit, aggregate demand will suffer a considerable restraint, in turn reducing inflationary pressures and giving room to pause the stimulus withdrawal. This would allow the MPR to stabilise around its neutral level in the second part of next year. Nevertheless, if the fiscal impulse does not moderate sufficiently, upward pressures on prices and the exchange rate will remain high – in the latter's case, due to the risk of the rapidly rising debt. This would require accelerating the MPR hikes, probably at a pace similar to that seen in financial prices.

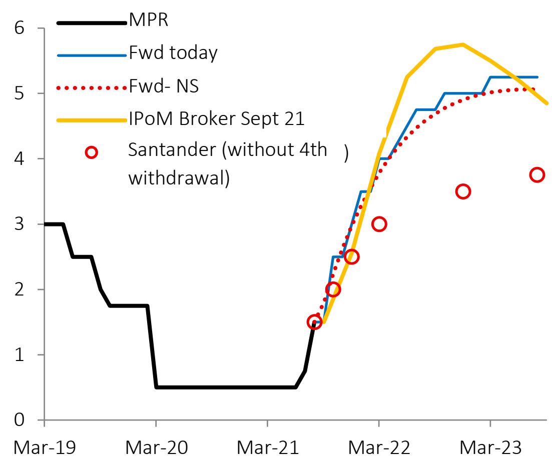
Finally, a possible fourth pension fund withdrawal imposes an additional risk to the rate on the upside. Given the higher liquidity effect on prices – compounded to the large amounts in individual's current and demand accounts that exceed their trend level by around 8 pp of the GDP— and the impact this could have on inflation expectations, risk premiums and the exchange rate. Under this scenario, the Central Bank raising the MPR to levels close to 3% by the end of the year and then moving it into firm contractionary territory cannot be ruled out.

The new macro scenario raises swap rates sharply



Source: Bloomberg and Santander

MPR would reach 2.5% by the end of 2021



Source: Bloomberg, Central Bank and Santander

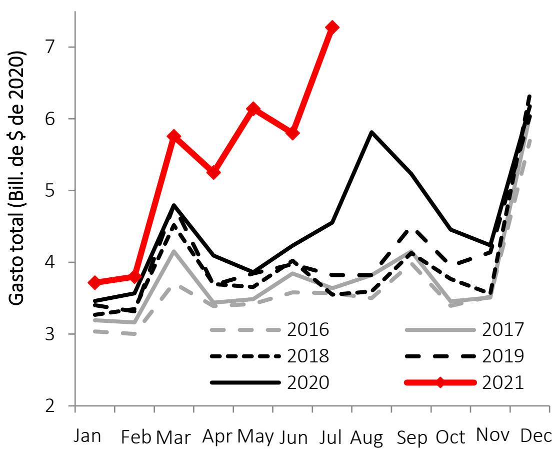
The budget will be pivotal for the evolution of the activity in 2022 and the future pace of monetary policy.

Fiscal spending has remained at exceptionally high levels for most of the year. Still, it broke a new record during July with expenditures of near US$ 10 billion (more than US$ 6 billion was spent in the "subsidies and grants" element alone due to the payment of the universal IFE and SMEs subsidies). Thus, expenditure has expanded by 32% this year so far. In turn, revenues have grown by 29% due to very low comparison bases resulting from the 2020 tax relief measures and the high copper price. This brings the deficit accrued over the last twelve months to 8% of the GDP and is likely to close the year at a figure close to 8.5% of GDP.

The government is due to submit its 2022 Budget Bill to Congress at the end of this month. This should include a considerable expenditure contraction to start the process of fiscal consolidation. According to the Budget Board's estimates, prior to the end-of-year extension of the universal IFE, reducing the structural deficit from 9.5% to 3.9% of GDP –in line with the fiscal commitment –required a 20% drop in spending. Currently, with the IFE extension, this figure should be higher, nearing 25%. This could be achieved either by halting the IFE (US$ 21.35 billion) or by very significant adjustments in other expenditure items. Nevertheless, such an adjustment seems implausible from a political point of view and could mean a very abrupt slowdown in domestic demand next year.

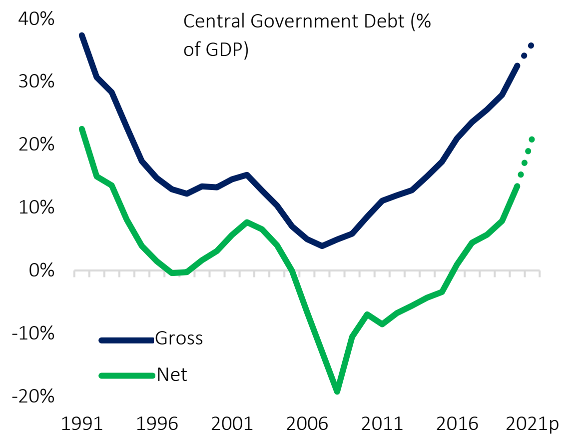
In the absence of a drastic reduction in expenditure, there is a risk of entering a dynamic that renders debt unsustainable in the medium term. Furthermore, the inflationary pressures that this would engender would require a more substantial tightening of monetary impulses, resulting in more drastic interest rate hikes. Therefore, we assess that next year's budget should include an expenditure fall of around 15%, which would bring the deficit to range between 4% and 5% of the GDP.

Fiscal spending reached a new record high in July



Source: Dipres and Santander

Sovereign fund withdrawals accelerate net debt growth



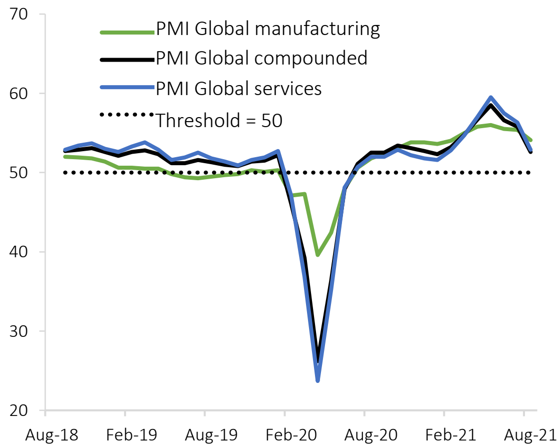
Note: 2021 corresponds to Santander projection
Source: Ministry of Finance and Santander

Withdrawal of US monetary stimulus on hold

Over the month, the market's attention centred on possible Fed announcements regarding the start of the monetary stimulus withdrawal. Nevertheless, Jerome Powell's intervention at the Jackson Hole convention dampened the likelihood of a speedy reduction in the pace of asset purchases. Moreover, global inflation has continued to rise due to the recovery in fuel prices, remaining bottlenecks in some supply chains and high liquidity. This, together with the progress on deconfinement, which will allow some services with operations interrupted for prolonged periods to finally return, has fuelled fears of more permanent effects on prices. Meanwhile, new pandemic outbreaks in China led to a sharp slowdown in Chinese services' activity, compounded to a manufacturing sector that has advanced at a sluggish pace in recent months. This was reflected in the moderation of global activity in August (Global PMI: 52.6 vs 55.8 previously), although it remains on optimistic grounds.

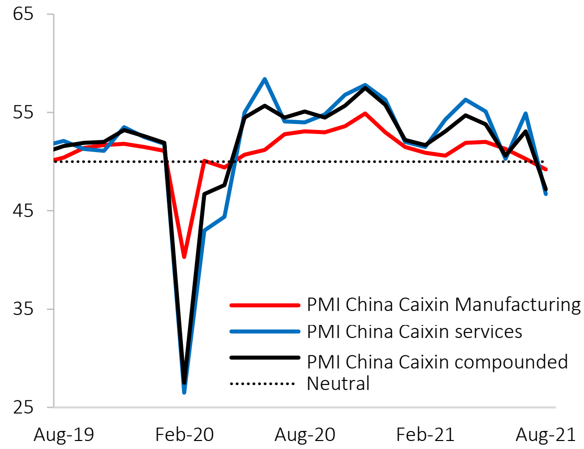
In this context, international markets advanced during the month (MSCI global: +2%), with notable increases in Japan (+7%), the US (S&P 500: +2%) and emerging markets (MSCI EM: +1%). In contrast, stock indices in China (-1%) and Latin America (-5%) declined. The latter was headed by the fall in the Brazilian market (-7%), affected by weak activity figures (GDP 2Q21: -0.1% QoQ vs +0.2% expected), the impacts of drought and the approval of an income tax reform. Moreover, long-term rates in the leading economies rose by an average of +8 bps and the dollar depreciated globally (1%).

Although more subdued, overall activity remains favourable.



Source: Bloomberg and Santander

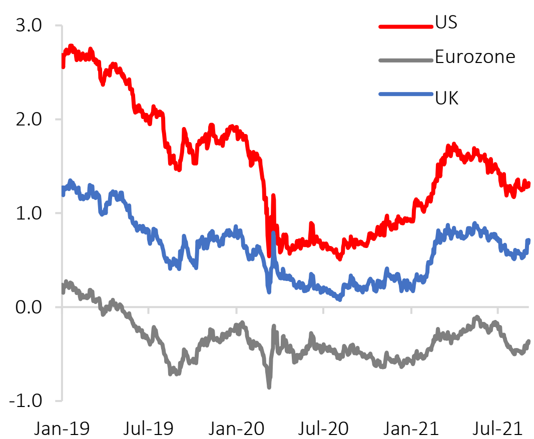
The slowdown in China is a reality; the concern relates to the speed of adjustment.



Source: Bloomberg and Santander

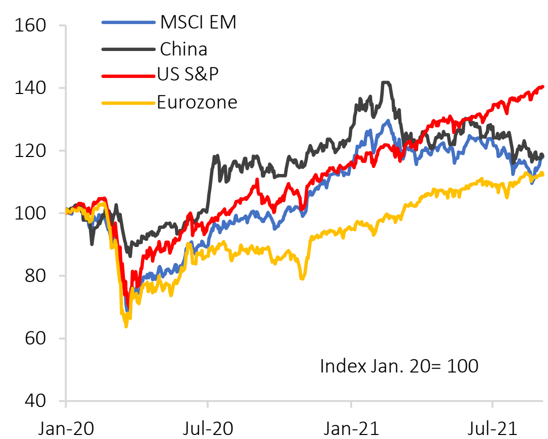
In Europe, the minutes of the European Central Bank (ECB) meeting in July evidenced an ample discussion regarding the monetary policy course, especially facing the inflationary pressures and health sector risks. Accordingly, the preliminary inflation figure for August surprised on the upside (0.4% MoM vs 0.2% expected; 3% YoY vs 2.7% expected). In terms of activity, the manufacturing PMI remained optimistic (61.4 vs 61.5 expected). Nevertheless, the services sector fell back (from 59.7 to 59.0), and the 2Q21 GDP recovered strongly (2.2% QoQ vs 2.0% previously and 14.3% YoY vs 13.6% expected). Thus, the ECB decided to maintain the interest rate unchanged at its September meeting but announced the moderation of the pandemic-related bond purchase programme for the next quarter and corrected its long-term inflation projections to 2.2% in 2021, 1.7% in 2022 and 1.5% in 2023.

Long-term rates in leading economies reverse their trend and rise marginally



Source: Bloomberg and Santander.

Stock indices advanced in the month, excluding China



Source: Bloomberg and Santander.

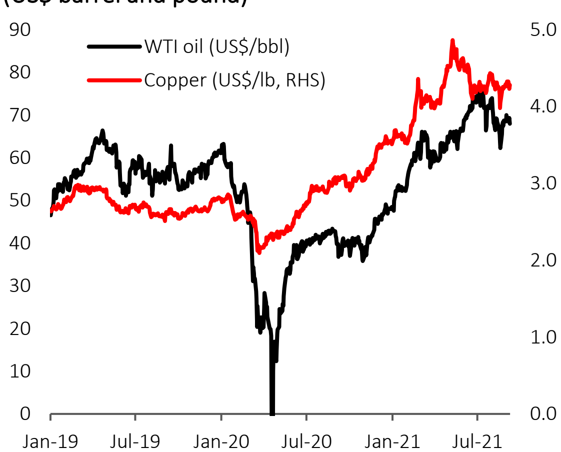
Moreover, after tight restrictions against new outbreaks associated with the Delta variant, China claimed to have brought local infections under control by the end of August, allowing the opening of sectors under temporary containment. Contrary to the global trend, inflationary pressures have not represented a relevant risk for China, with a CPI growing at around 1% YoY. The most notable development was the fall of PMI indicators into negative grounds during the month, especially regarding the services sector, which fell from 54.9 to 46.7 in August's Caixin measure, the lowest level since April 2020. Foreign trade data were also released, showing better moderation than expected (exports: 15.7% YoY vs 17.2% expected; imports: 23.1% YoY vs 27.0% expected). Nevertheless, the markets do not have a built-in hard landing scenario. The figures point to one-off and temporary effects related to measures taken to contain the Covid-19 outbreaks detected in some cities.

Oil prices partially recover while copper remains stable

Following the significant declines of recent weeks due to fears of a slowdown in demand related to China's lower consumption, several factors have combined to reverse the price of crude oil (WTI) to levels of US$ 70 per barrel. Moreover, the impact of Hurricane Ida forced the shutdown of 95% of Gulf production, equivalent to 1.7 million barrels per day, while inventories continued to fall, particularly in the US. As a result, US inventories stand at the lower end of the range of the last five years, reflecting a very restricted supply. Meanwhile, despite the pessimistic data on China's activity, global demand has remained remarkably buoyant. Finally, at its latest monthly coordination meeting, the OPEC+ maintained its decision to gradually increase production until December while raising its oil demand projection for 2022 by 0.9 million barrels per day. Thus, OECD inventories are expected to remain low until at least May next year.

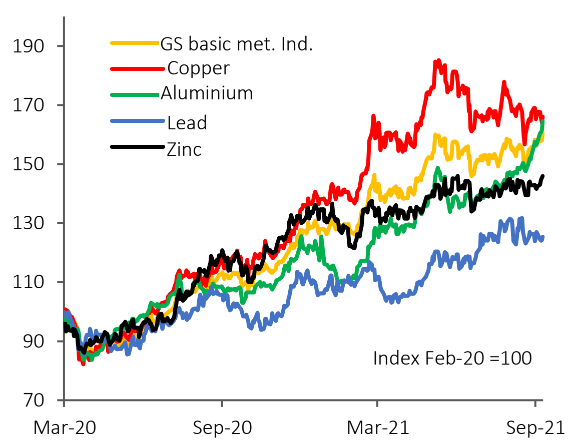
Contrasting the case of oil, the value of copper has remained more stable at levels around US$ 4.20 per pound. A vital factor in its price outlook is the significant slowdown in China's growth in the coming quarters, as well as the use it may make of its reserves to keep the price stable, as announced a couple of months ago. Meanwhile, in Chile, the world's largest producer, the latest collective bargaining negotiations in large-scale mining, notably Escondida and Andina, have been successfully settled so far, avoiding the upward pressure on the supply side.

Oil prices tend to recover, and copper remains stable (US$ barrel and pound)



Source: Bloomberg and Santander

Copper and aluminium prices show the most significant increases since the pandemic began



Source: Bloomberg and Santander

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	10.0/11.0	1.0/2.0
Internal demand (real var. % YoY)	-0.5	2.5	1.8	2.9	4.5	1.0	-9.1	17.5	0.6
Total consumption (real var. % YoY)	2.9	2.6	3.5	3.6	3.7	0.8	-6.9	16.0	-1.0
Private consumption (real var. % YoY)	2.7	2.1	2.7	3.4	3.8	1.0	-7.5	17.5	-0.5
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	14.5	3.5
Exports (real var. % YoY)	0.3	-1.7	0.5	-1.5	5.3	-2.6	-1.0	1.5	3.0
Imports (real var. % YoY)	-6.5	-1.1	0.9	4.6	8.1	-2.4	-12.7	25.5	0.5
GDP (US$ billions)	260.6	244.3	250.6	277.1	298.9	282.7	255	315	315
GDP per capita (US$ thousands)	14.6	13.6	13.8	15.0	15.9	14.8	13.0	16.0	15.6
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	17.0	14.0
Exports (US$ billions)	75.1	62.0	60.7	68.8	75.2	69.9	71.7	91.0	88.0
Imports (US$ billions)	68.6	58.6	55.9	61.4	70.6	65.7	54.9	74.0	74.0
Current account (US$ billions)	-5.2	-5.7	-5.0	-6.4	-9.2	-10.5	3.4	-7.0	-6.4
Current account (GDP%)	-2.0	-2.4	-2.0	-2.3	-3.1	-3.7	1.3	-2.3	-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	5.3	3.7
CPI Inflation (var. YoY, average %)	4.7	4.3	3.8	2.2	2.4	2.3	3.0	4.1	4.7
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	4.0	3.5
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	752	785
Monetary policy rate (year's exercise, %)	3.00	3.50	3.50	2.50	2.75	1.75	0.5	2.5	3.5
Monetary policy rate (%, year average)	3.75	3.06	3.5	2.7	2.52	2.48	0.8	1.1	3.3

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	-8.5	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
Access to our Reports at:

https://banco.santander.cl/estudios