

Ministerio de Hacienda



# CHILE DAY GLOBAL 2021

MACROECONOMIC OUTLOOK

March 3<sup>rd</sup> 2021

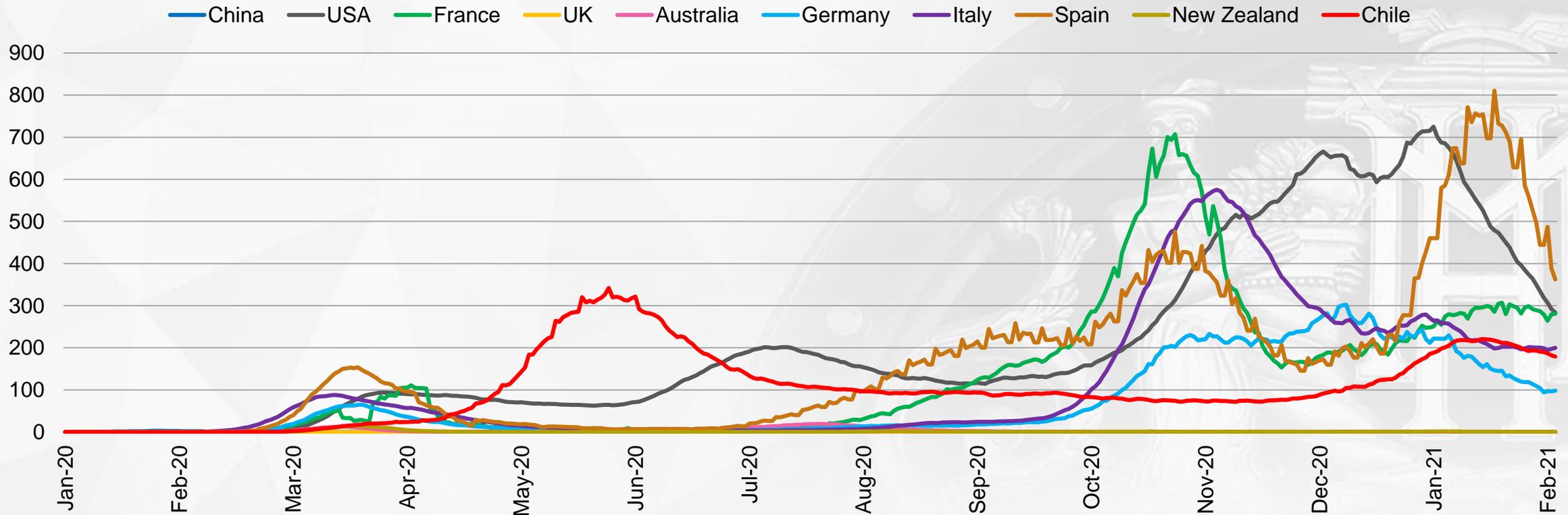
Rodrigo Cerda N. | Minister of Finance

# COVID19



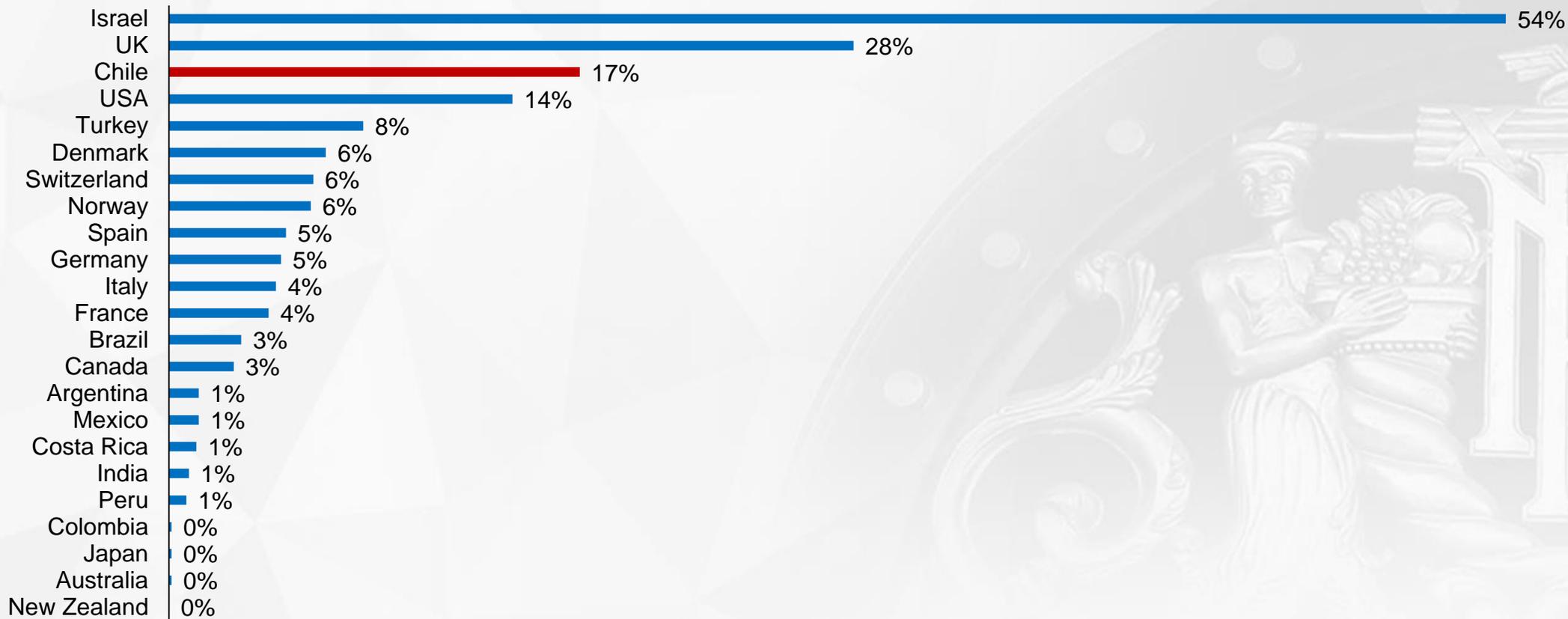
# Although Chile is still dealing with the Covid19 second wave, its impact has been less harmful than in other countries

New Covid19 daily cases  
(per million, MA15d)



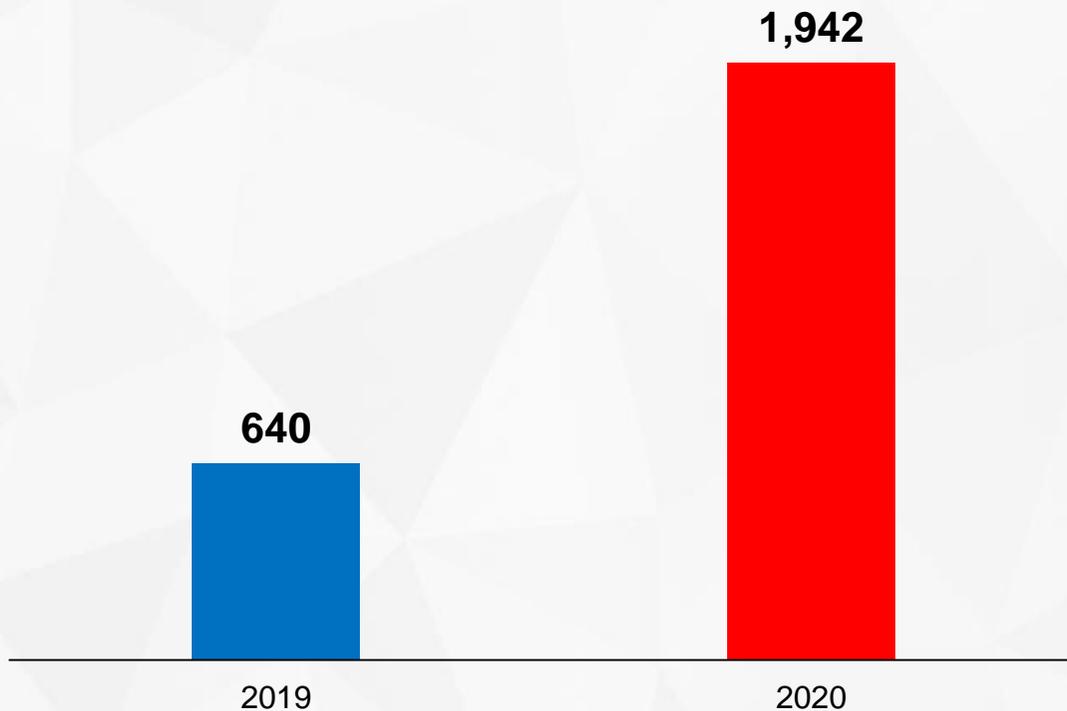
# Chile's performance in the massive vaccination process: Record figures on a global scale in a few days.

Vaccinated population against Covid19  
(% of population as of Feb 25th, 2021)

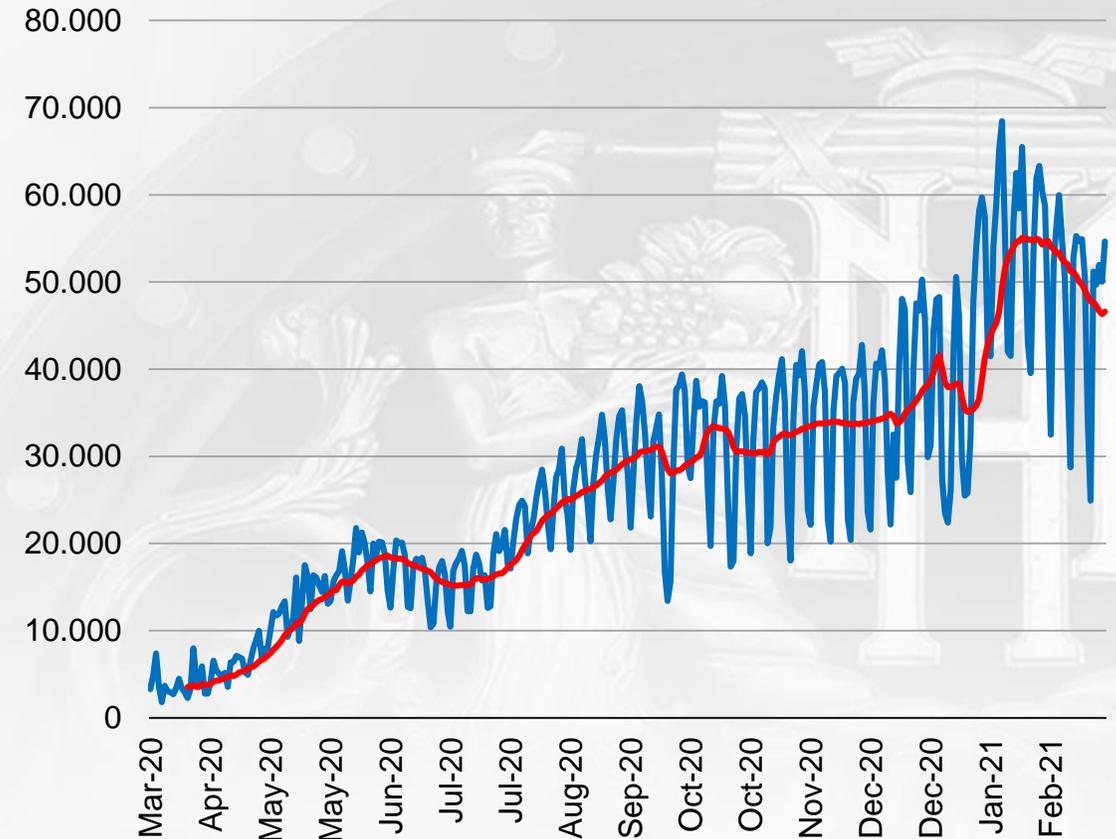


# Increased number of intensive care units (ICU) beds and widespread testing procedures have played a key role to contain the pandemic.

**ICU beds**  
(Number, Public Health System)



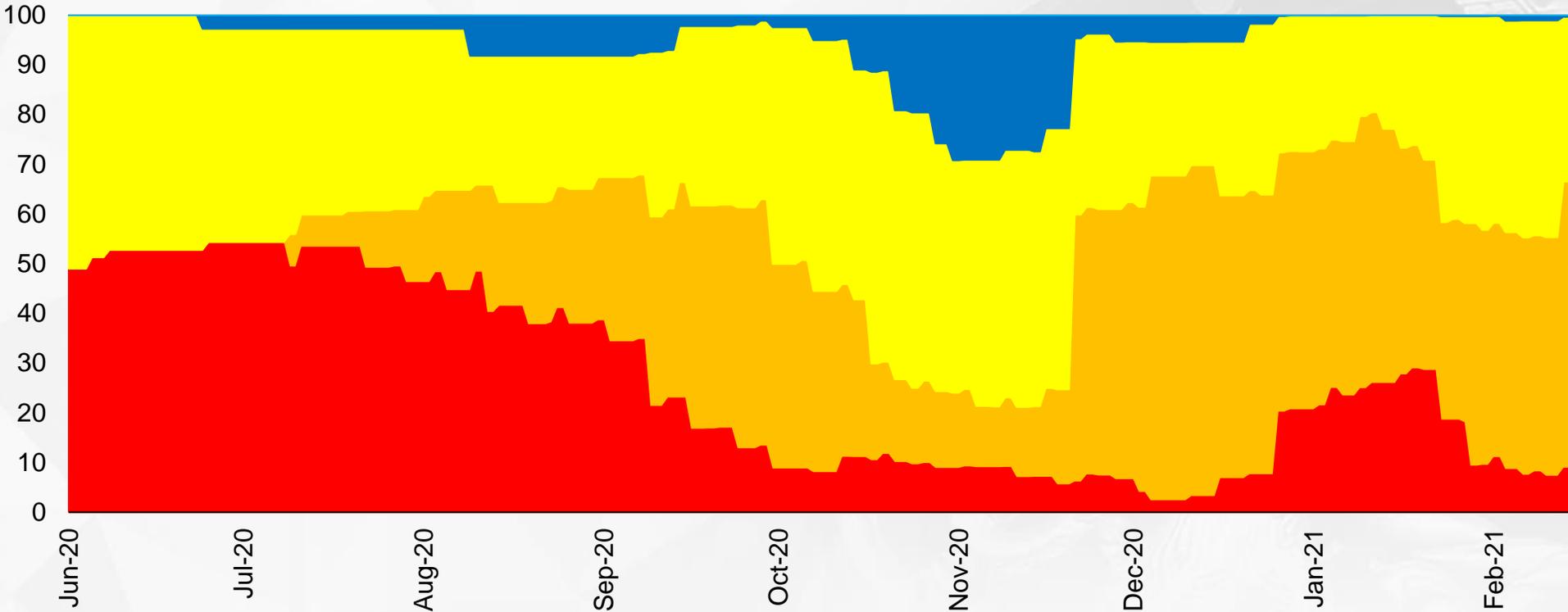
**Daily PCR tests**  
(number and MA14d)



# A gradual reopening of Chile's economy will set the pace for higher growth ahead.

**Neighborhood Lockdowns ('Paso a Paso')**  
(% of Chile's Population)

■ Phase 1 ■ Phase 2 ■ Phase 3 ■ Phase 4 ■ Phase 5

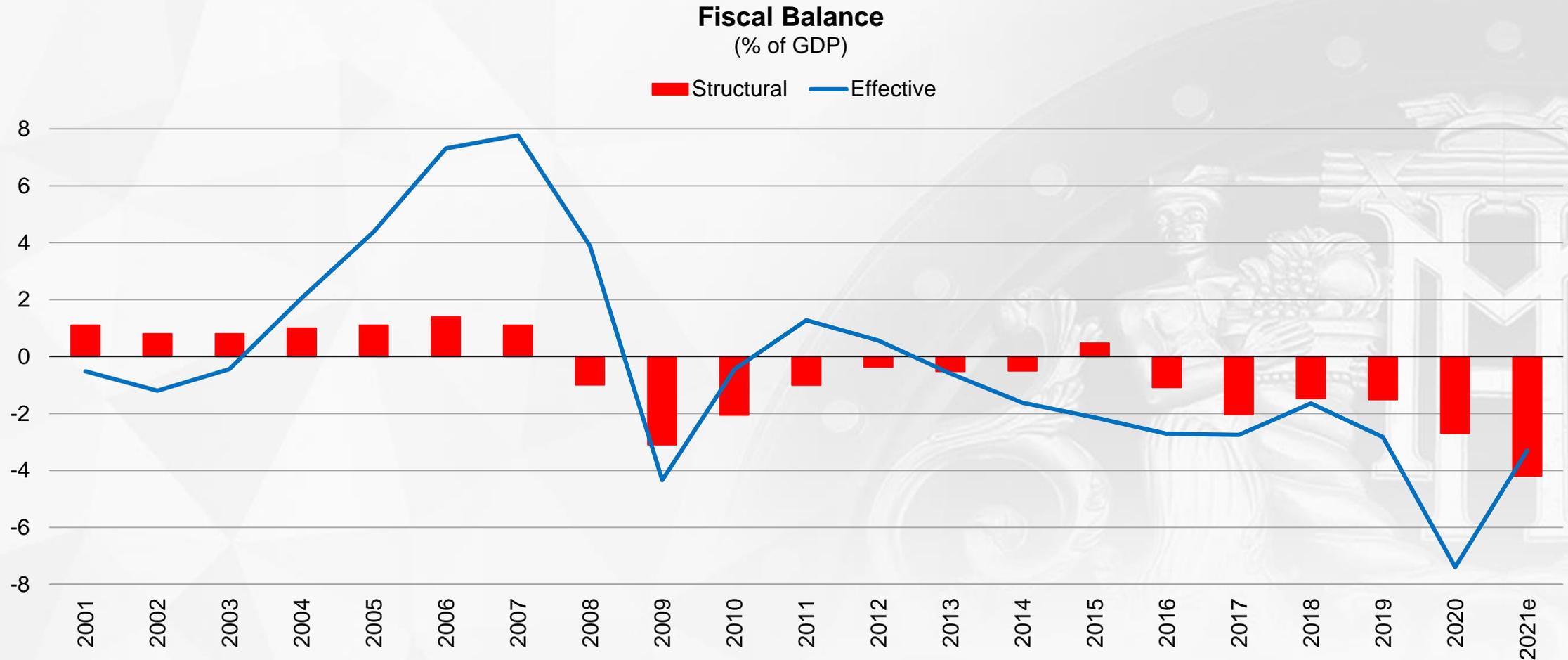


Source: Ministry of Health and Ministry of Science (last updated: March 1, 2021)

# FISCAL MEASURES TO DEAL WITH THE COVID19 CRISIS

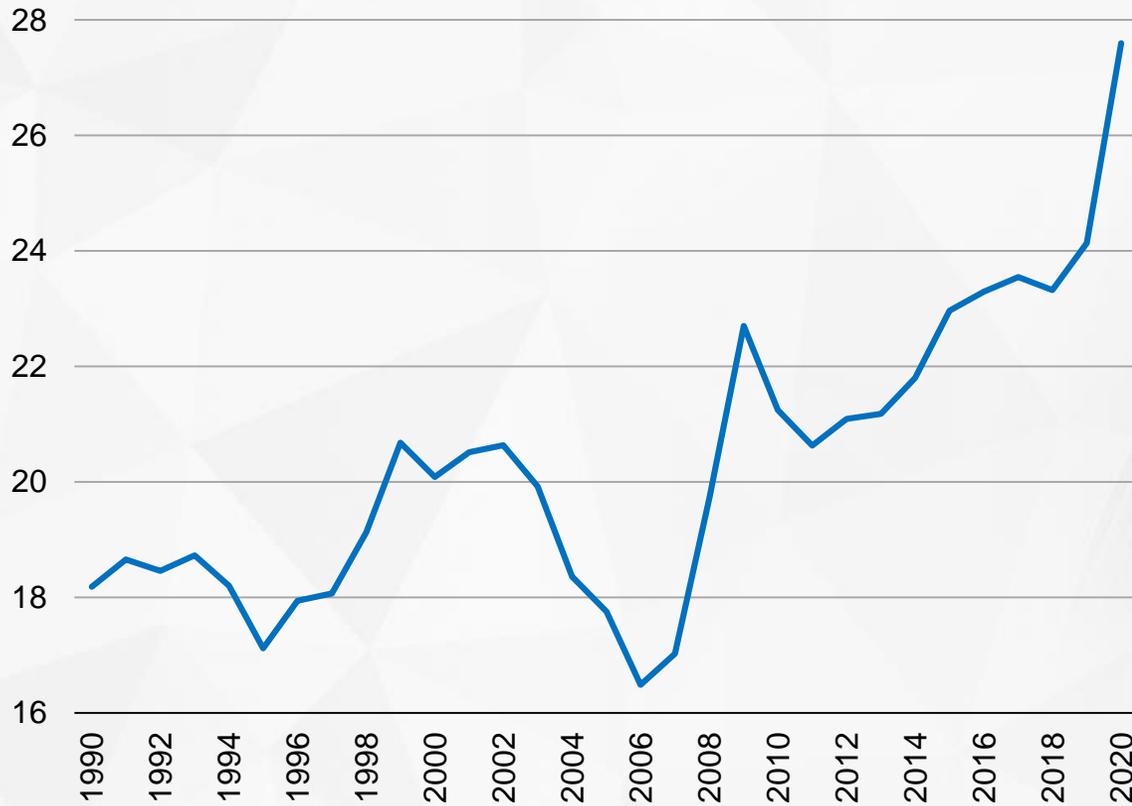


# The fiscal rule framework has been fundamental for the economic crisis resilience capacity.

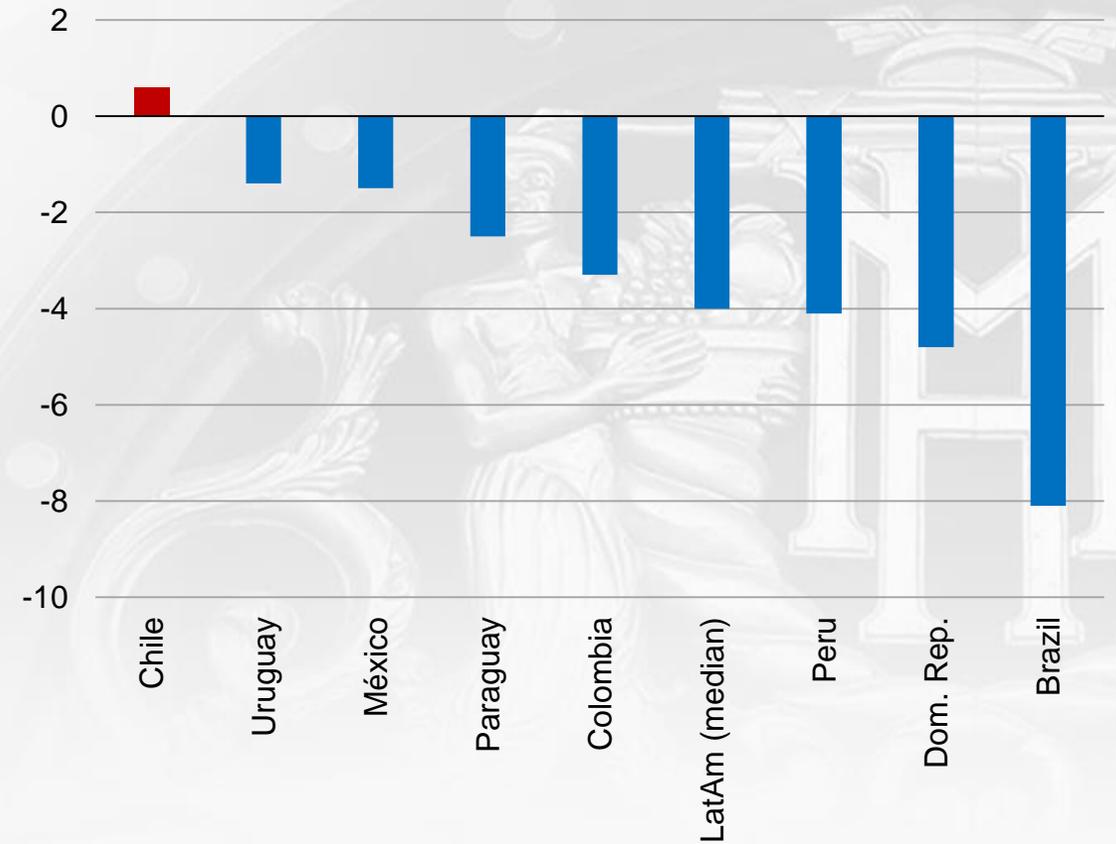


# A record-high fiscal package in the regional context.

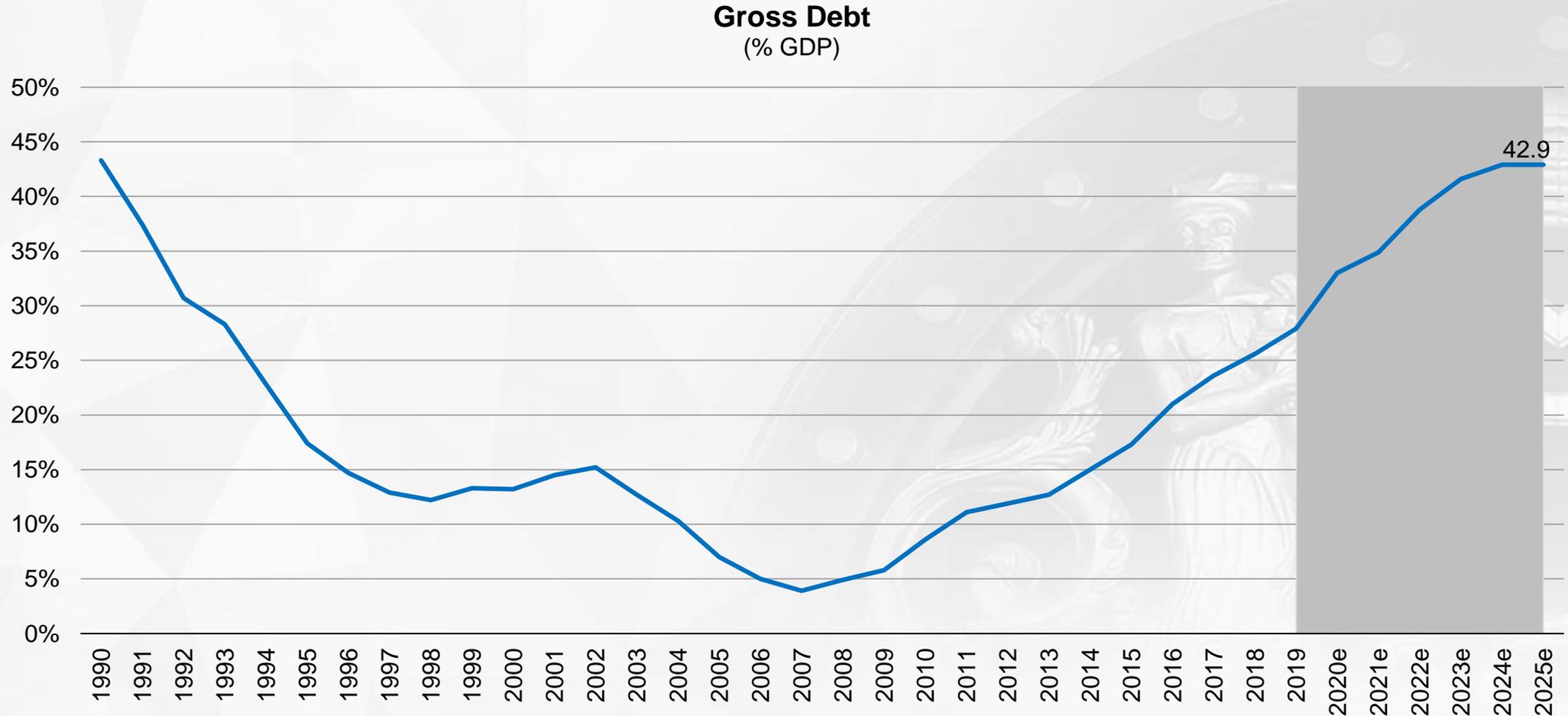
**Budget Expenditure**  
(% of GDP)



**2021e Fiscal Impulse**  
(% of GDP)

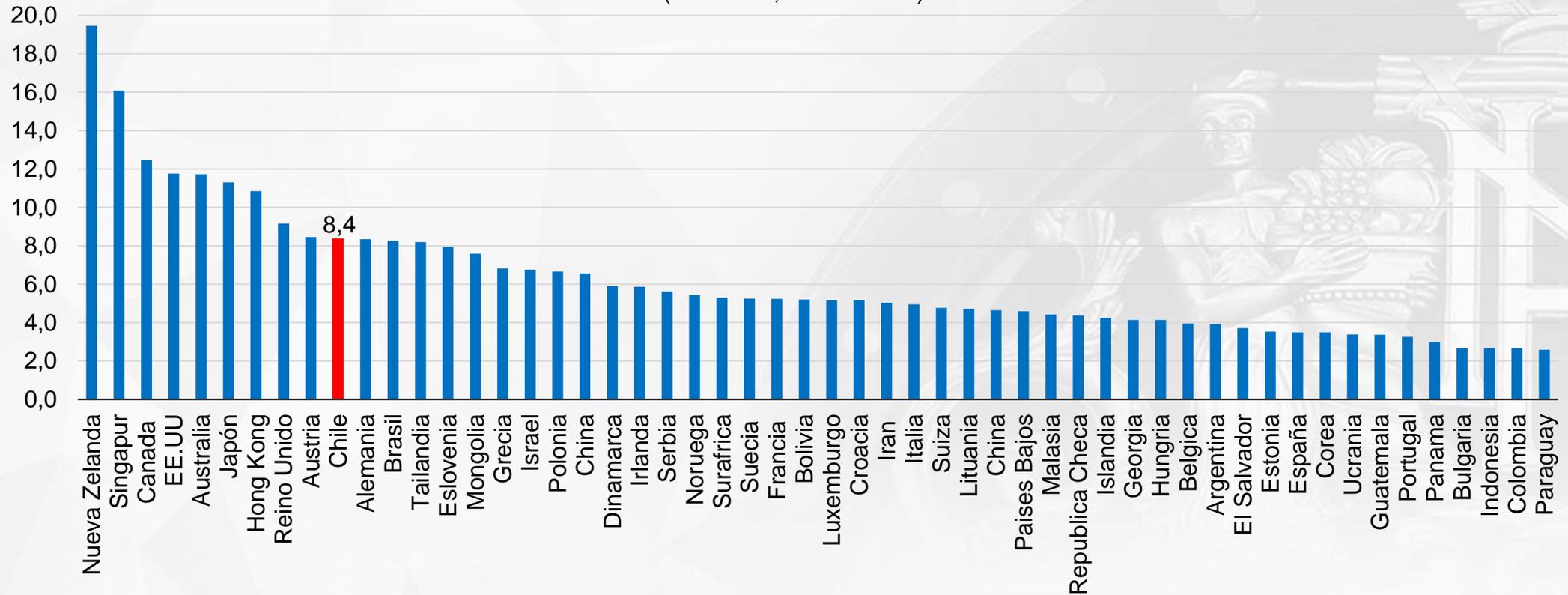


# Providing a significant fiscal impulse without leaving aside mid-term goals and fiscal sustainability.

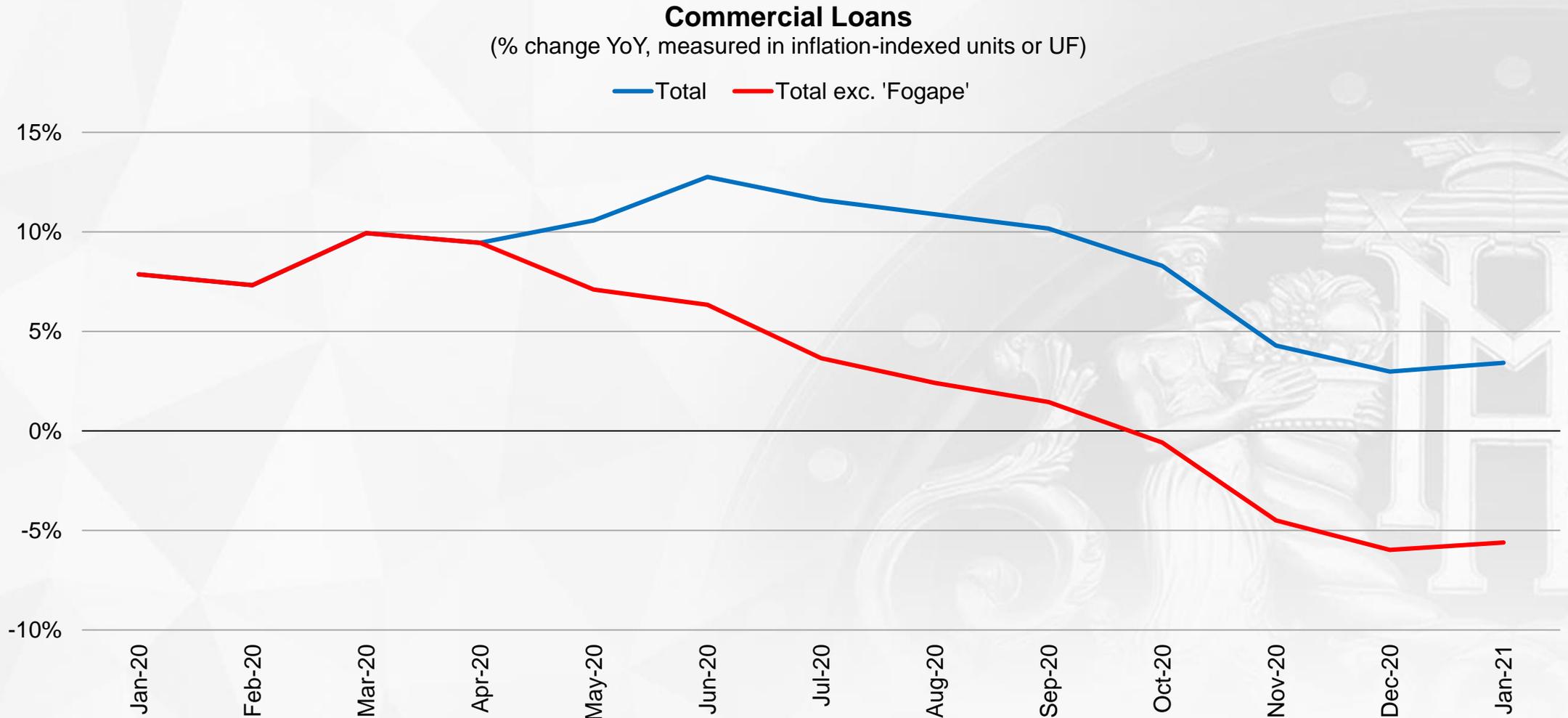


# The fiscal impulse has played a key role.

**Fiscal Effort against Covid-19**  
(% of GDP, over the line)



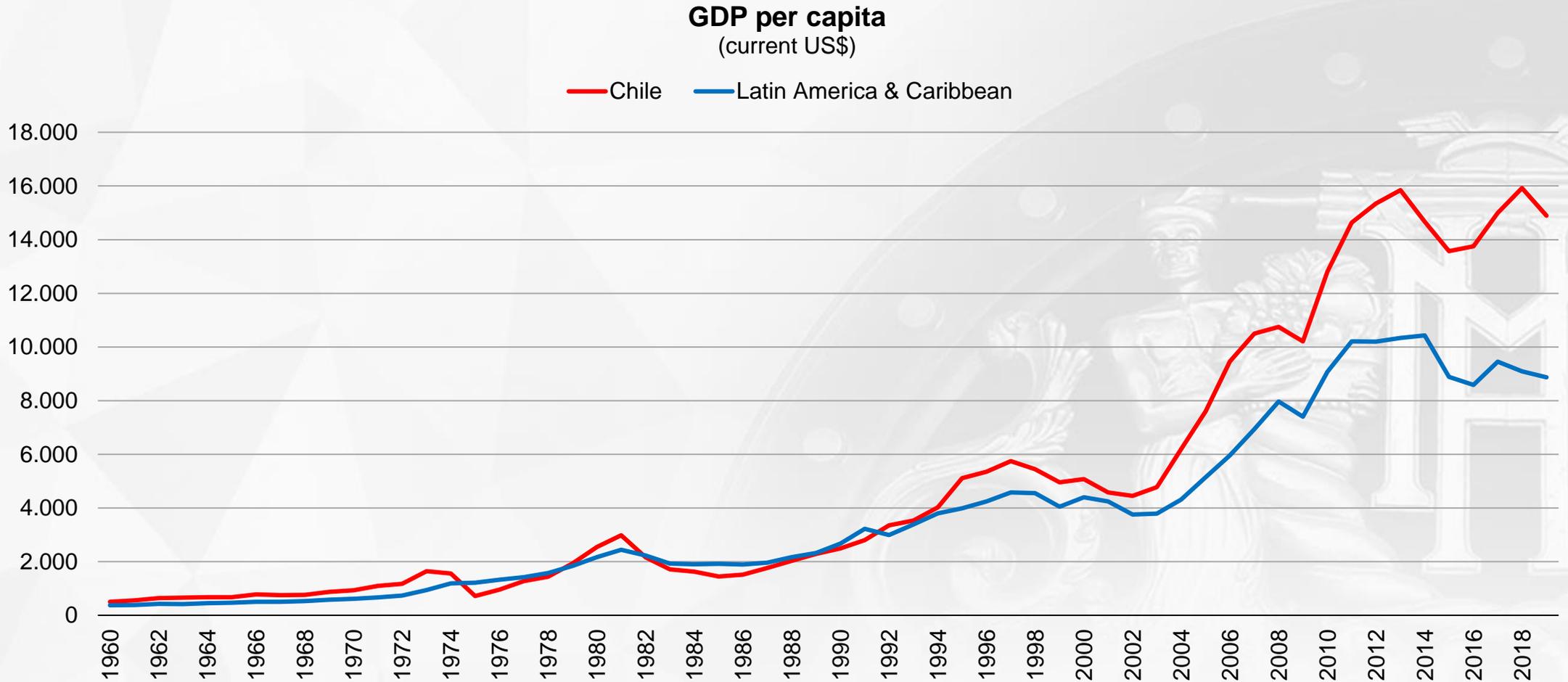
# The 'Fogape' program has provided a meaningful support for firms during the crisis.



# CHILE'S MID-TERM FUNDAMENTALS

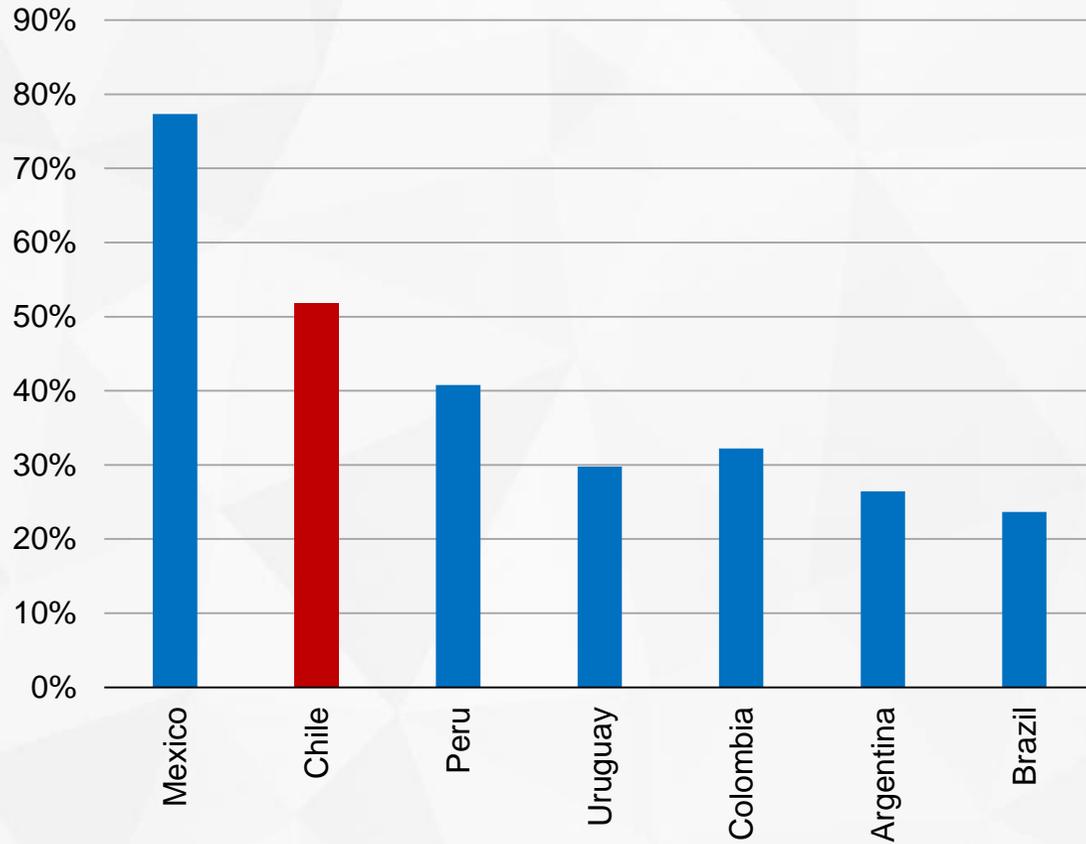


# A successful story: Chile has surpassed its regional peers in per capita income over the last decades.

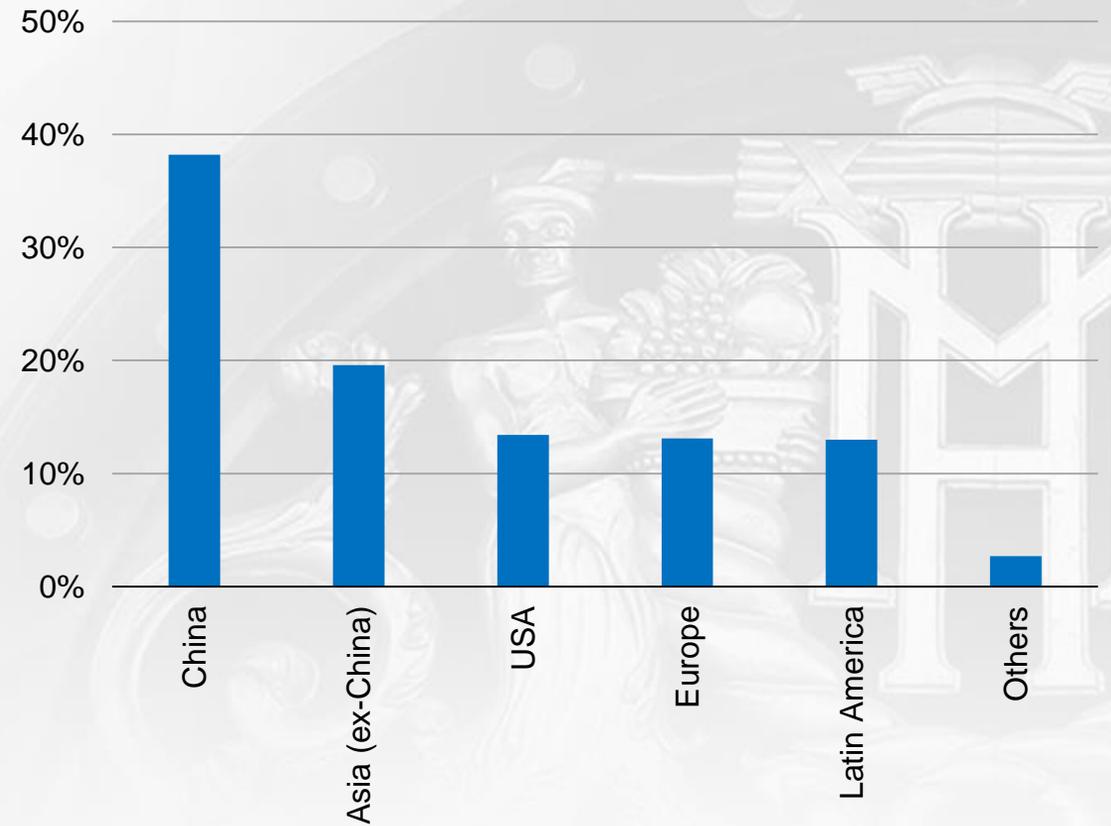


# Chile is a small, open economy that will benefit from better external conditions.

**Trade Volume**  
(USD bn and % of GDP, as of 2019)

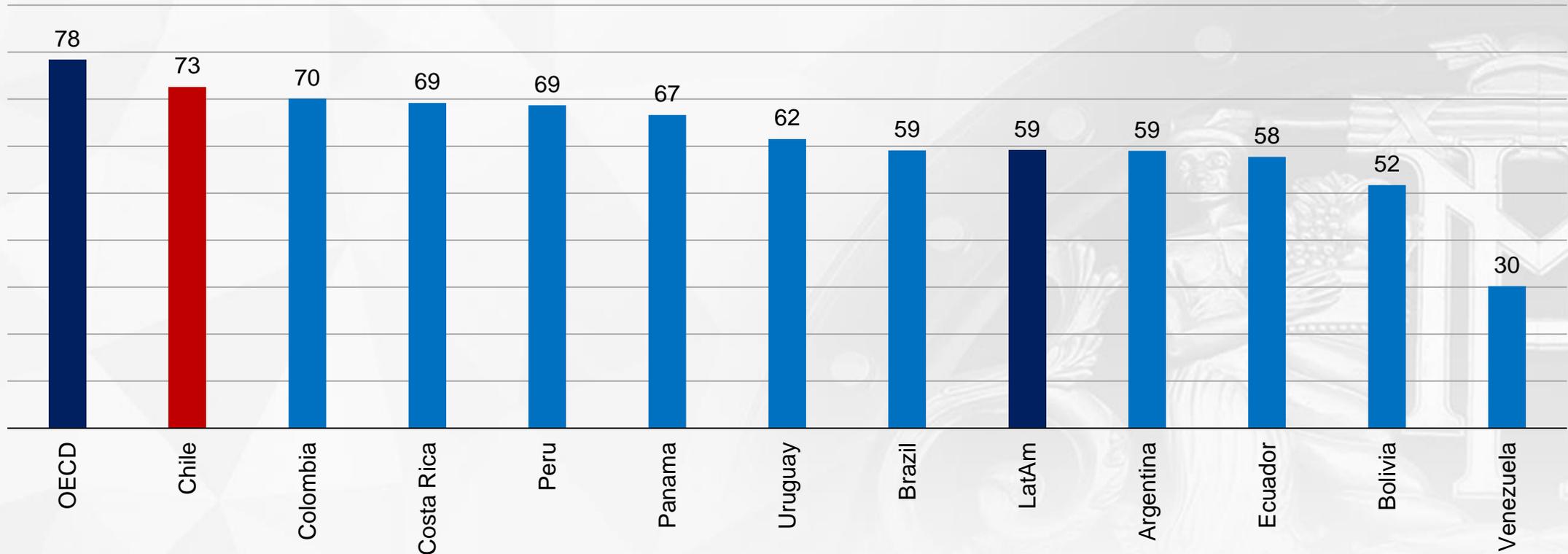


**Exports Destination**  
(% of total, as of 2020)

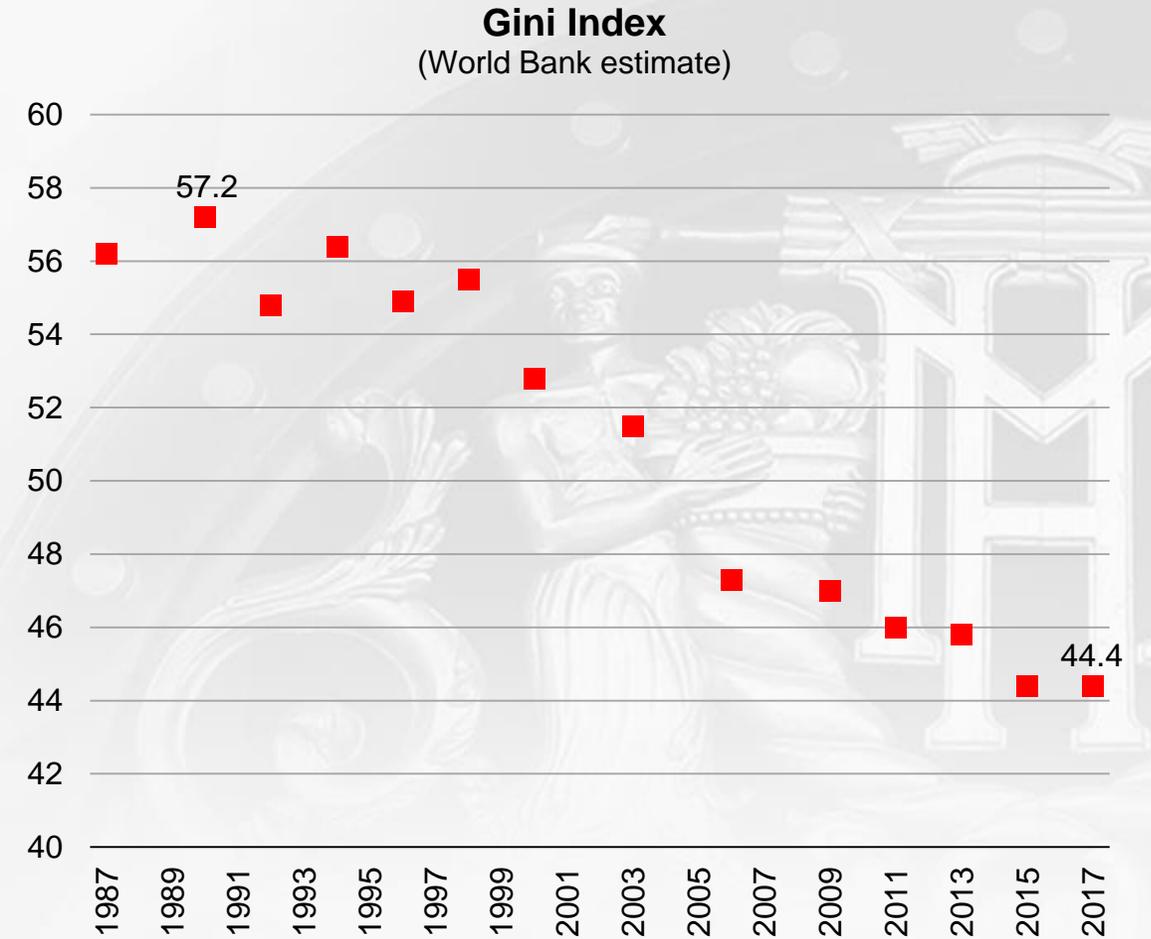
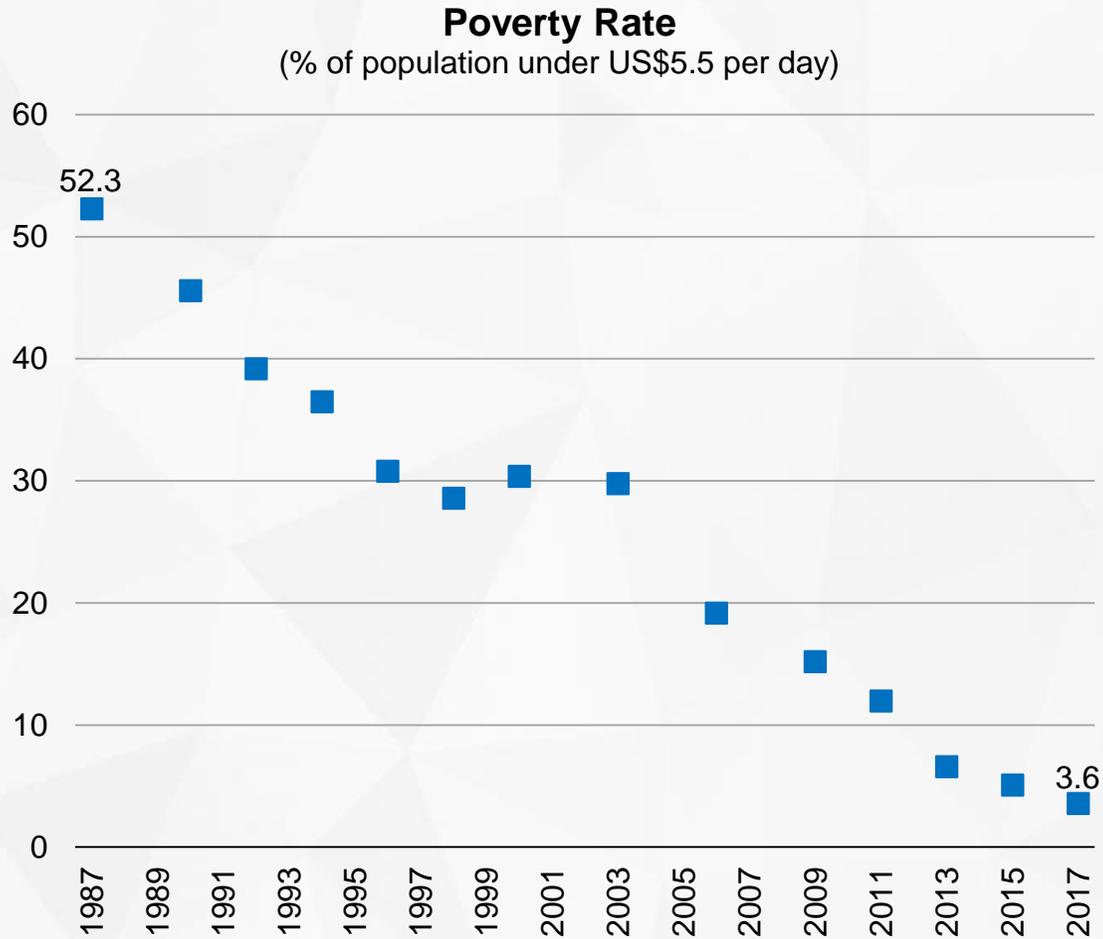


# Chile's business environment continues to stand out in the region.

Doing Business Ranking  
(Score as of 2020)



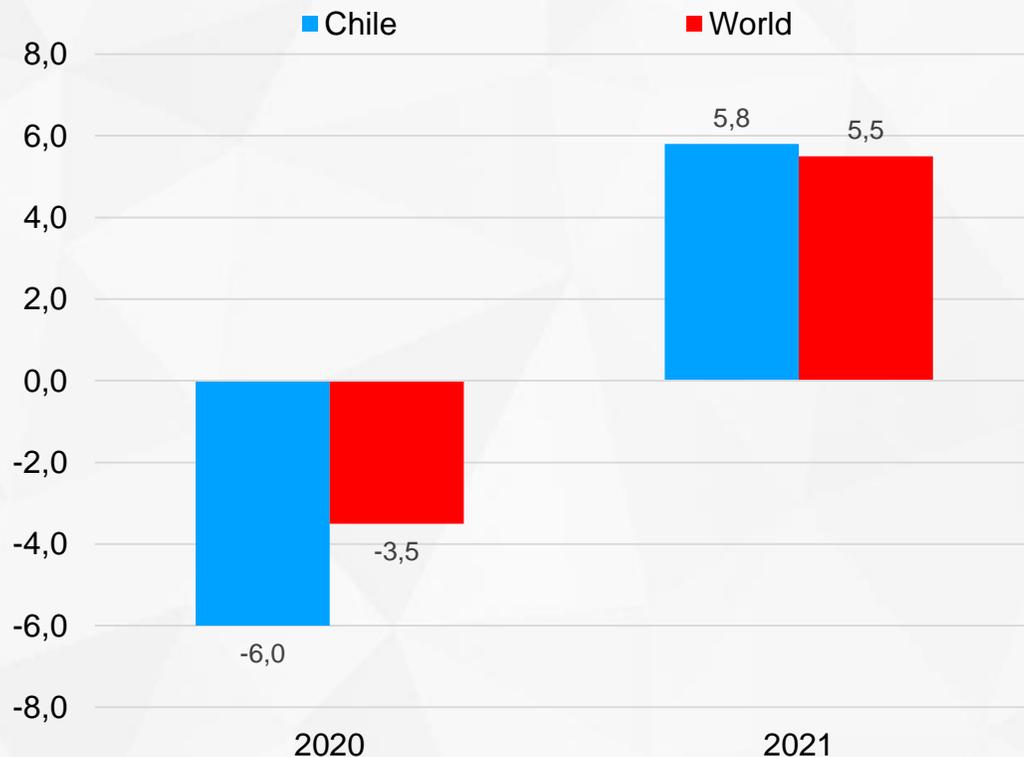
# Although important challenges remain, the country has been successful in reducing extreme poverty and inequality.



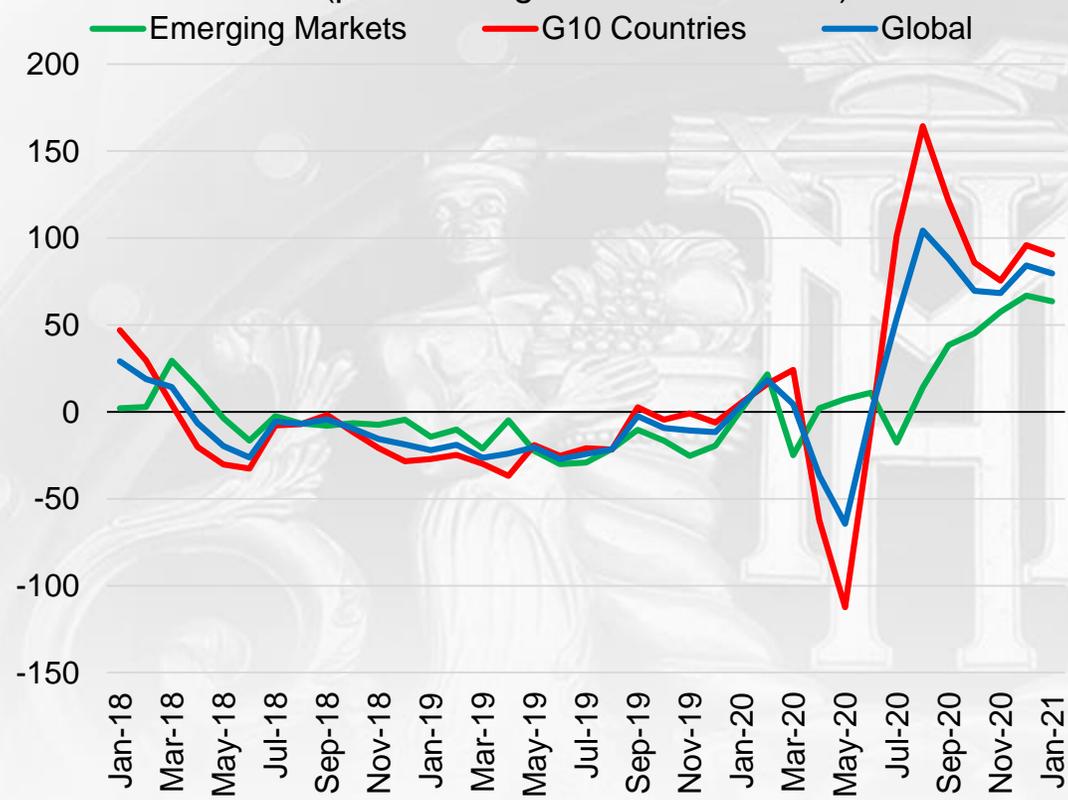
# EXTERNAL SCENARIO

# Despite larger-than-usual uncertainty, a historic economic recovery is underway. The external impulse will boost domestic activity figures in 2021.

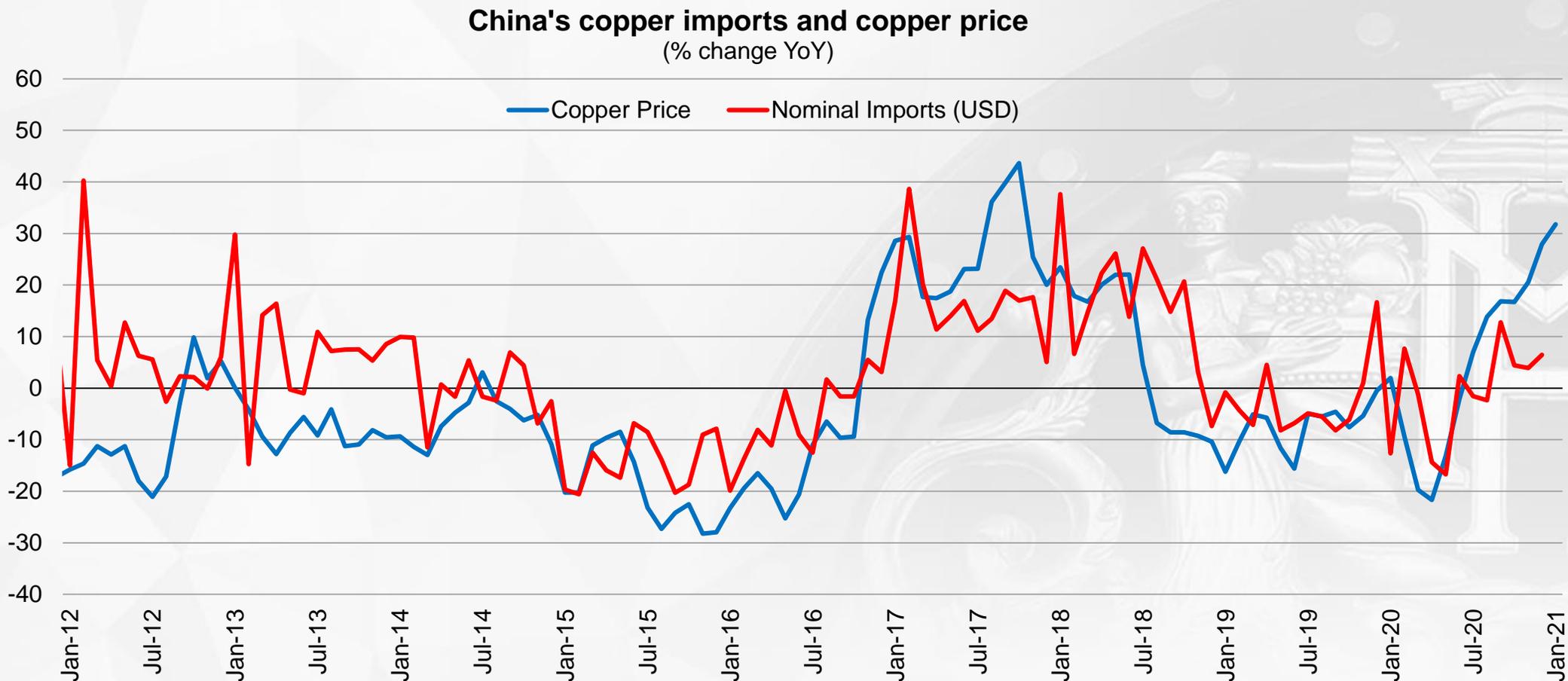
**GDP Estimates**  
(% change, YoY)



**Citi Economic Surprise Index**  
(positive/negative threshold = 0)

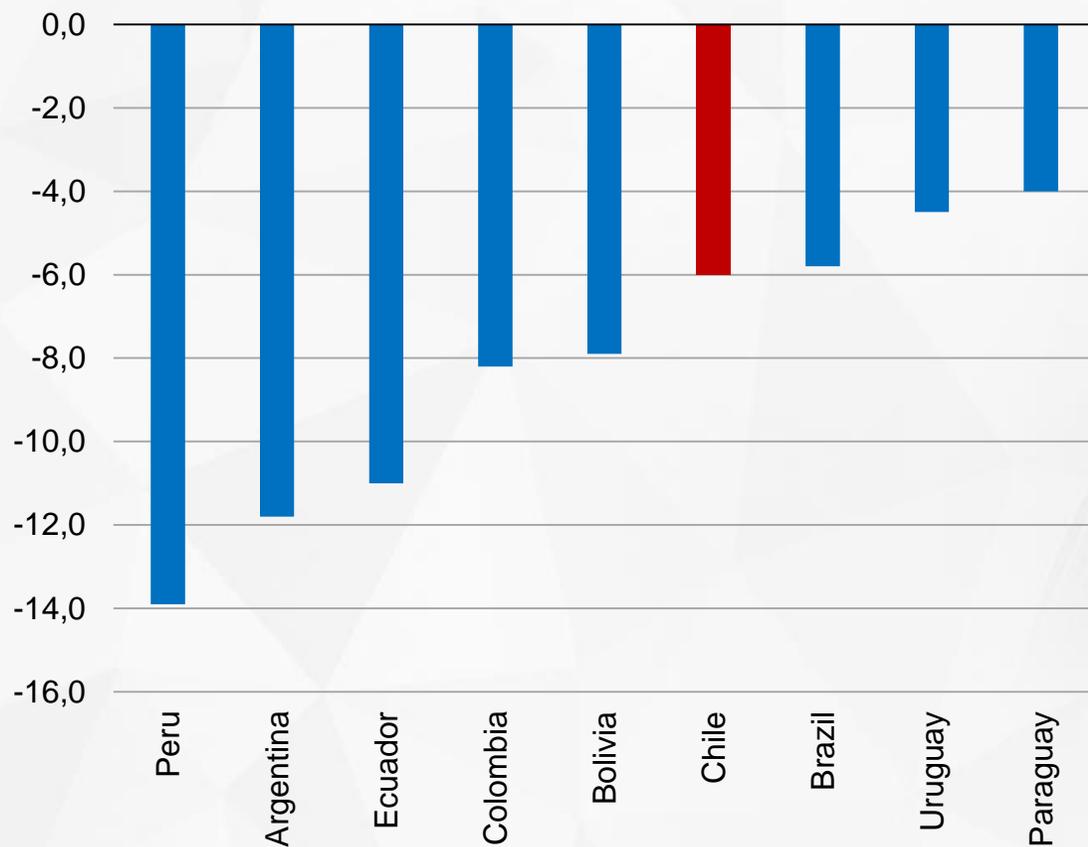


**China's economic rebound, subdued inventories levels, a lower risk aversion, and the depreciative trend of the USD support a copper price above the USD 4,0 level.**

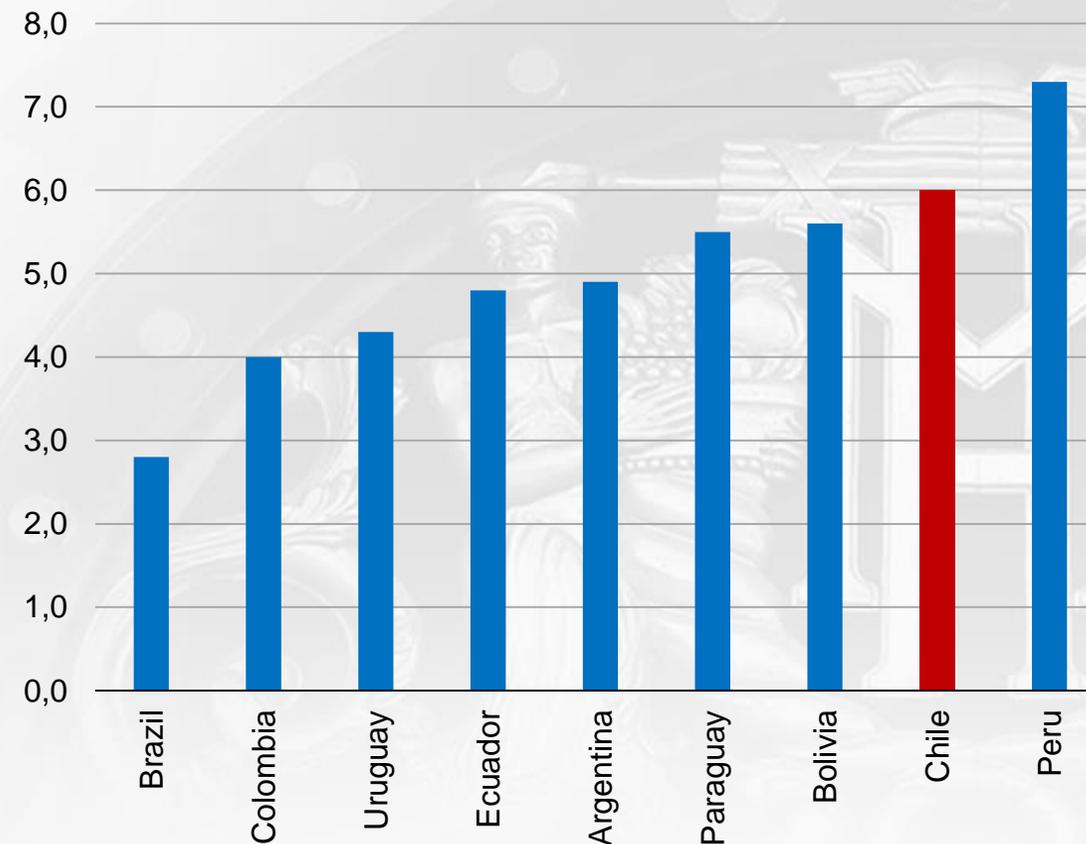


# A lower contraction and stronger recovery for Chile in the 2020-21 period when compared to peers.

**2020 GDP growth estimate**  
(% change YoY)

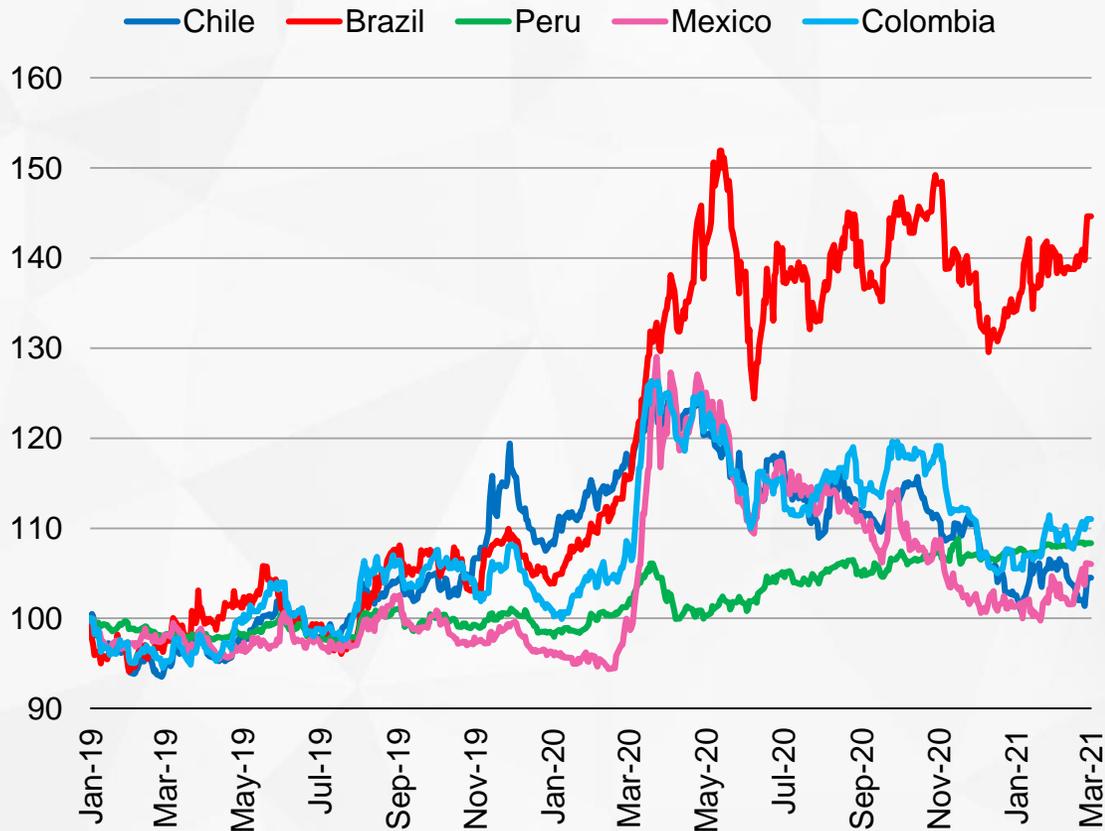


**2021 GDP growth forecast**  
(% change YoY)

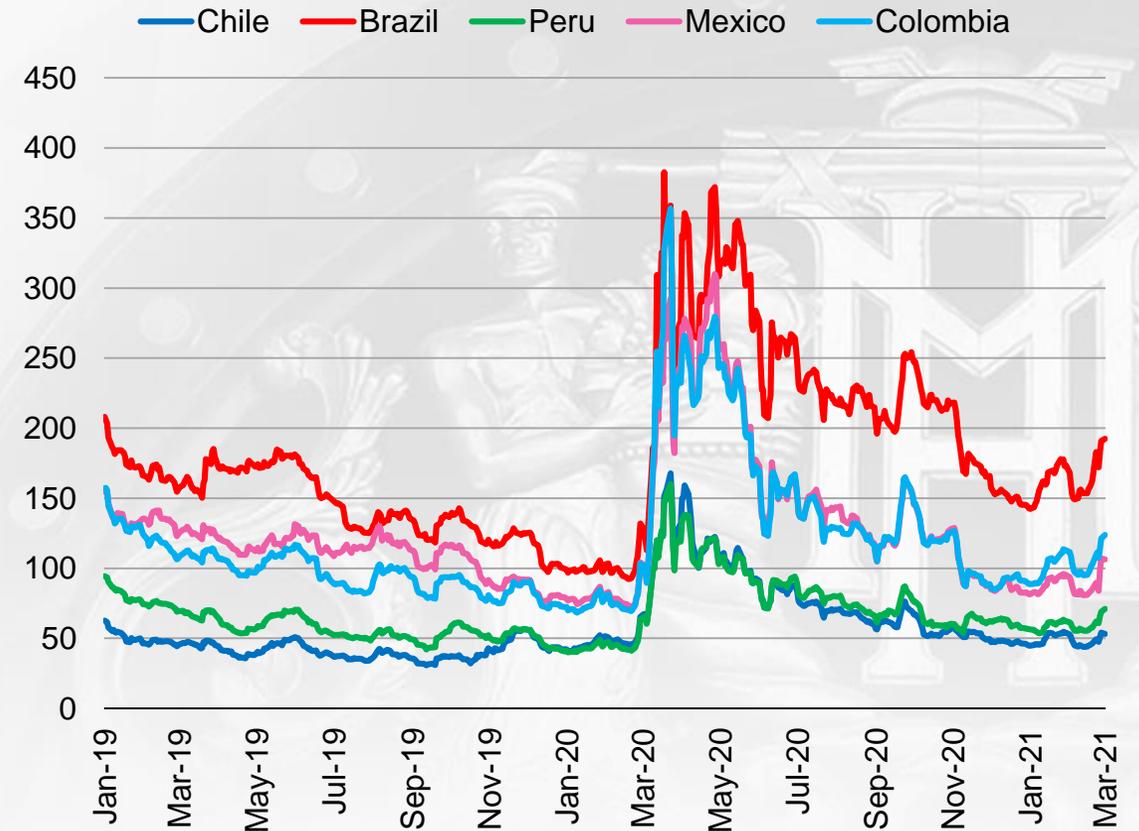


# Risk aversion has decreased significantly in the last months, whereas Chile continues to stand out in the regional context.

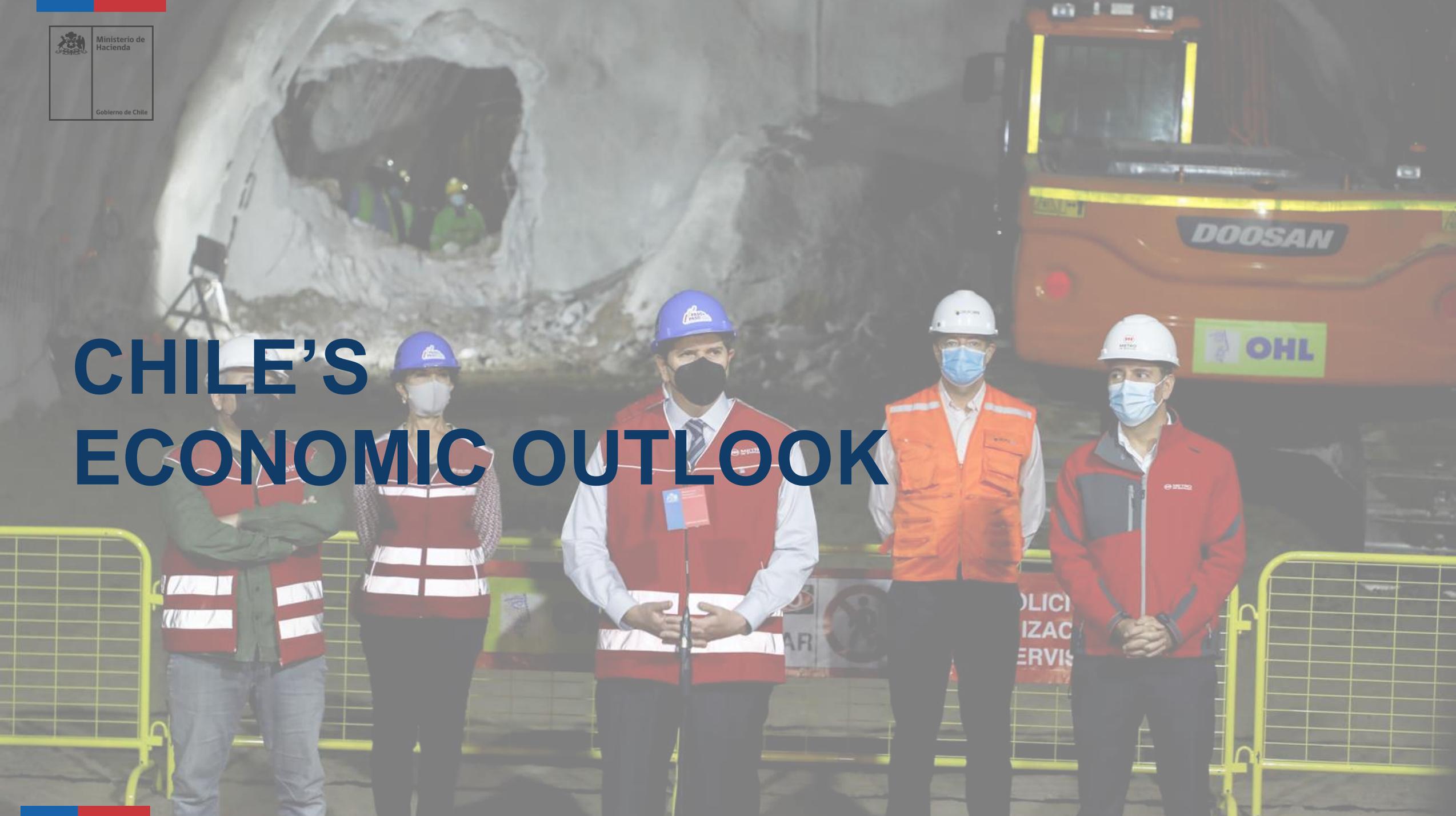
**Exchange Rate**  
(Index, Jan.19 = 100)



**5Y CDS sovereign spread**  
(basis points)



# CHILE'S ECONOMIC OUTLOOK



# The Financial Sector Remains a Key Pillar of Chile's Development

Despite the recent social, economic and sanitary crisis, there has been relevant progress towards positioning Chile as a regional financial center:

- In 2018, the Ministry of Finance in coordination with financial regulators and the private sector, boosted a historic effort to turn Chile into a Financial Center.
- Task forces were created around 4 macro-areas: Financial Services Exportation, Facilitating Foreign Investment, Access to International Funding and Local Market Efficiency
- About 20 measures are included in recently approved legislation or regulatory improvements, such as:
  - i. Automatic registration of debt securities for already enrolled issuers
  - ii. Simplified procedures for non-residents to obtain tax identification number
  - iii. Authorization for the use of Chilean Peso in cross border transactions

# Pro-Competition Initiatives in the Financial Sector

## Fostering competition in financial market will promote growth and financial inclusion

### i. Pro-Competition Interchange Fee Legislation

- Following best practices around the world (e.g. Australia, European Union), Government presented a Pro-Competition Interchange Fee bill to set limits on the interchange fee.

### ii. Financial Portability

- Applicable since September 2020, the new regulation allow consumers and SME´s access to a simple process to switch products between financial institutions in order to obtain better conditions.

### iii. International Consultancy

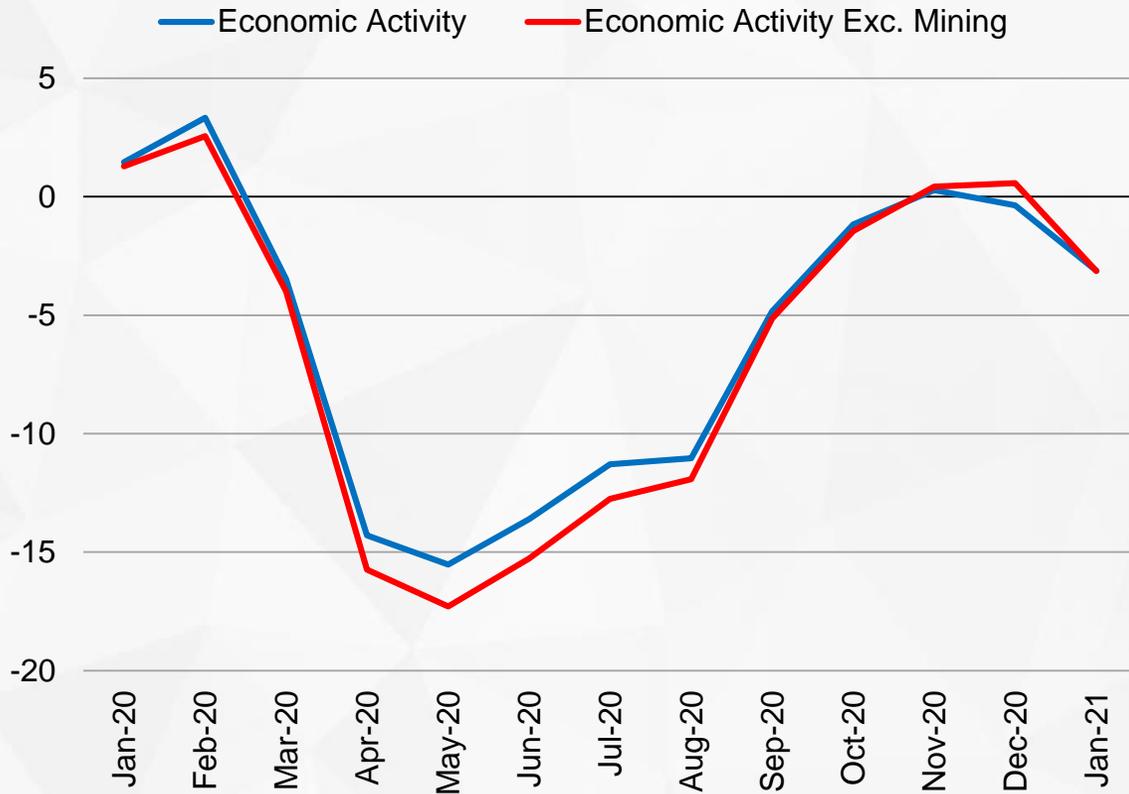
- A study of the Chilean financial industry is being carried out in order to propose structural recommendations to increase competition.

### iv. Fintech regulation and Open Finance

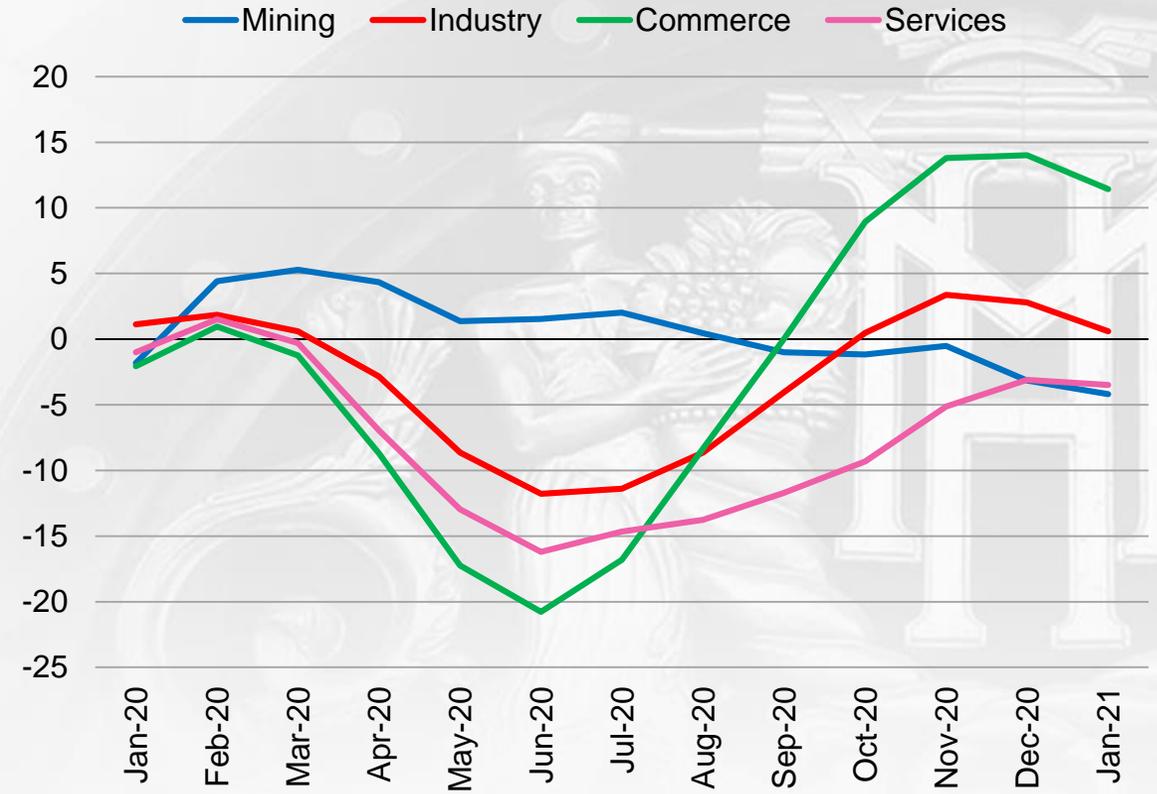
- A Fintech and Open Finance bill will be presented during the first semester of 2021 with 3 main goals: i) promote growth, ii) enhance competition, innovation and financial inclusion and iii) provide an adequate Regulatory Framework to supervise Fintech and promote Open Finance.

**As the economy gradually reopens and most sectors rapidly adapt to the new reality, the worst of the economic crisis appears to be behind us.**

**Economic Activity**  
(YoY)

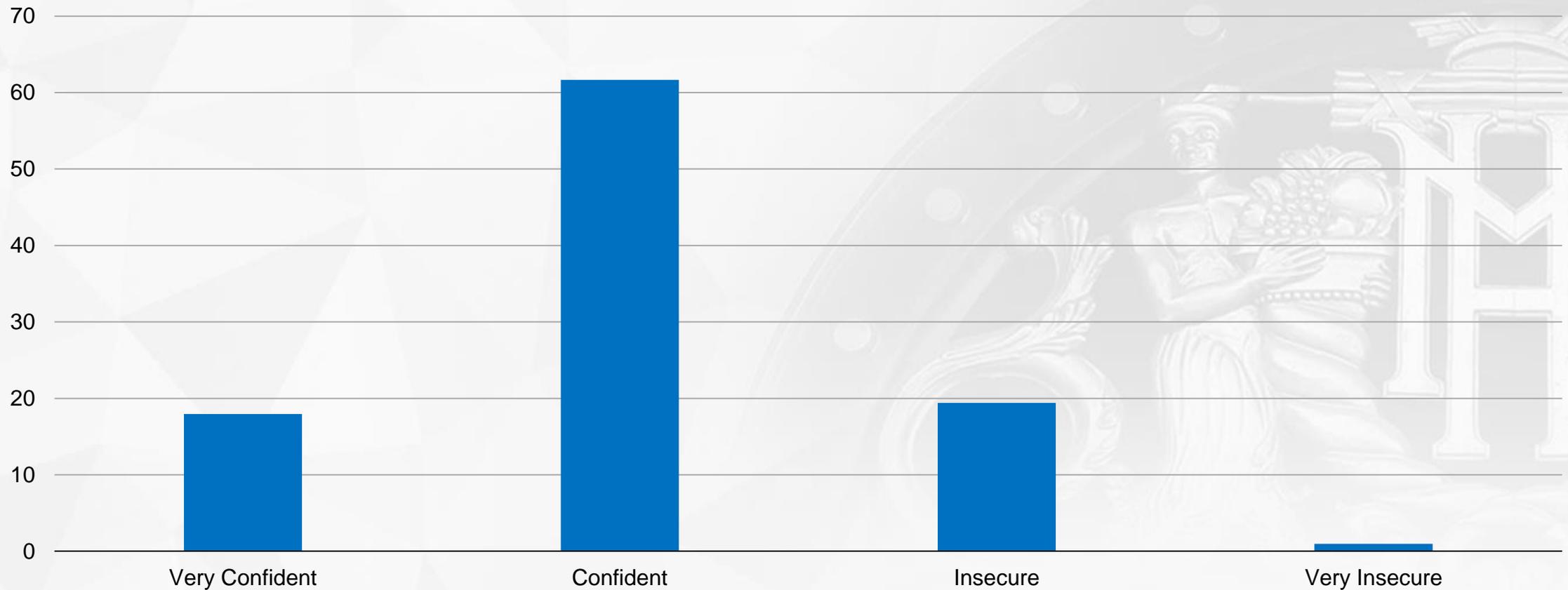


**Economic Activity by Sector**  
(YoY var. 3-months moving average)

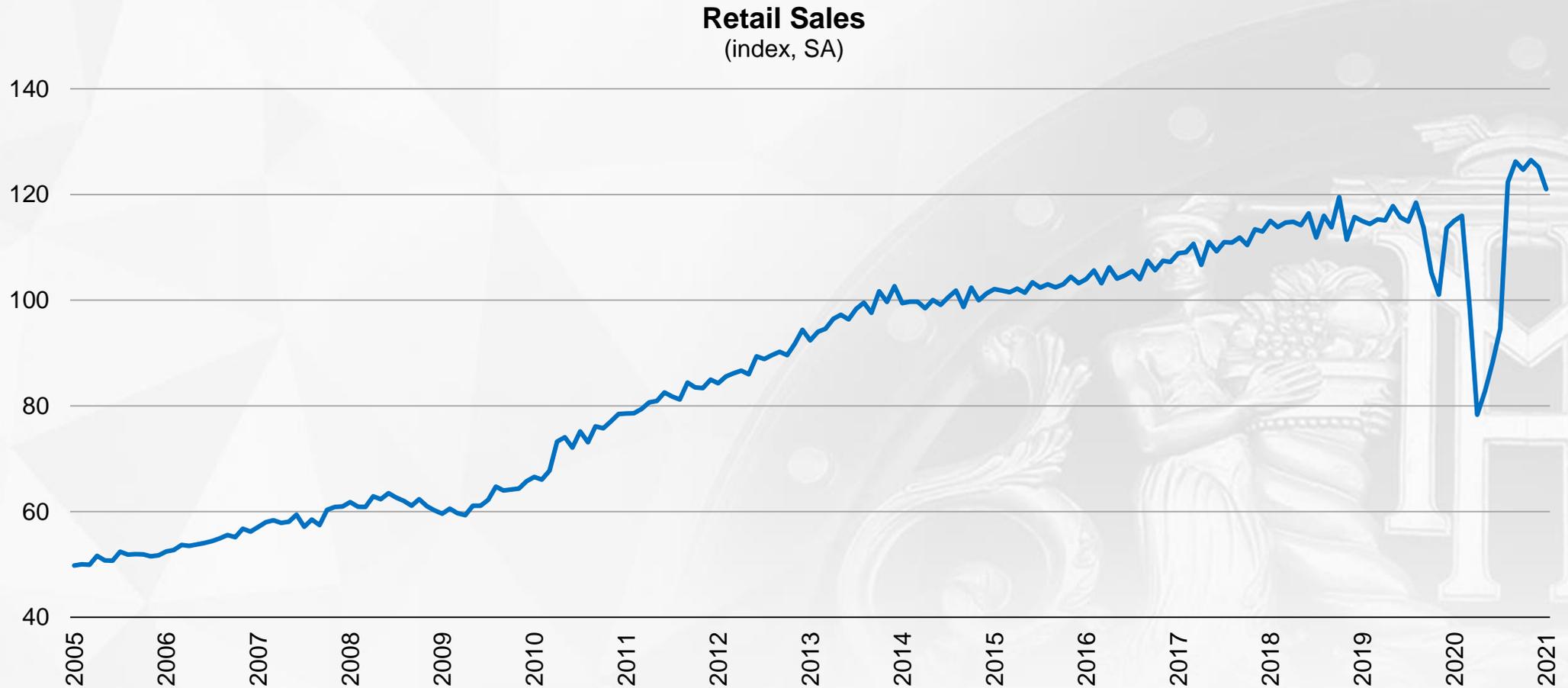


# A better business environment is expected due to lower uncertainty and greater business optimism.

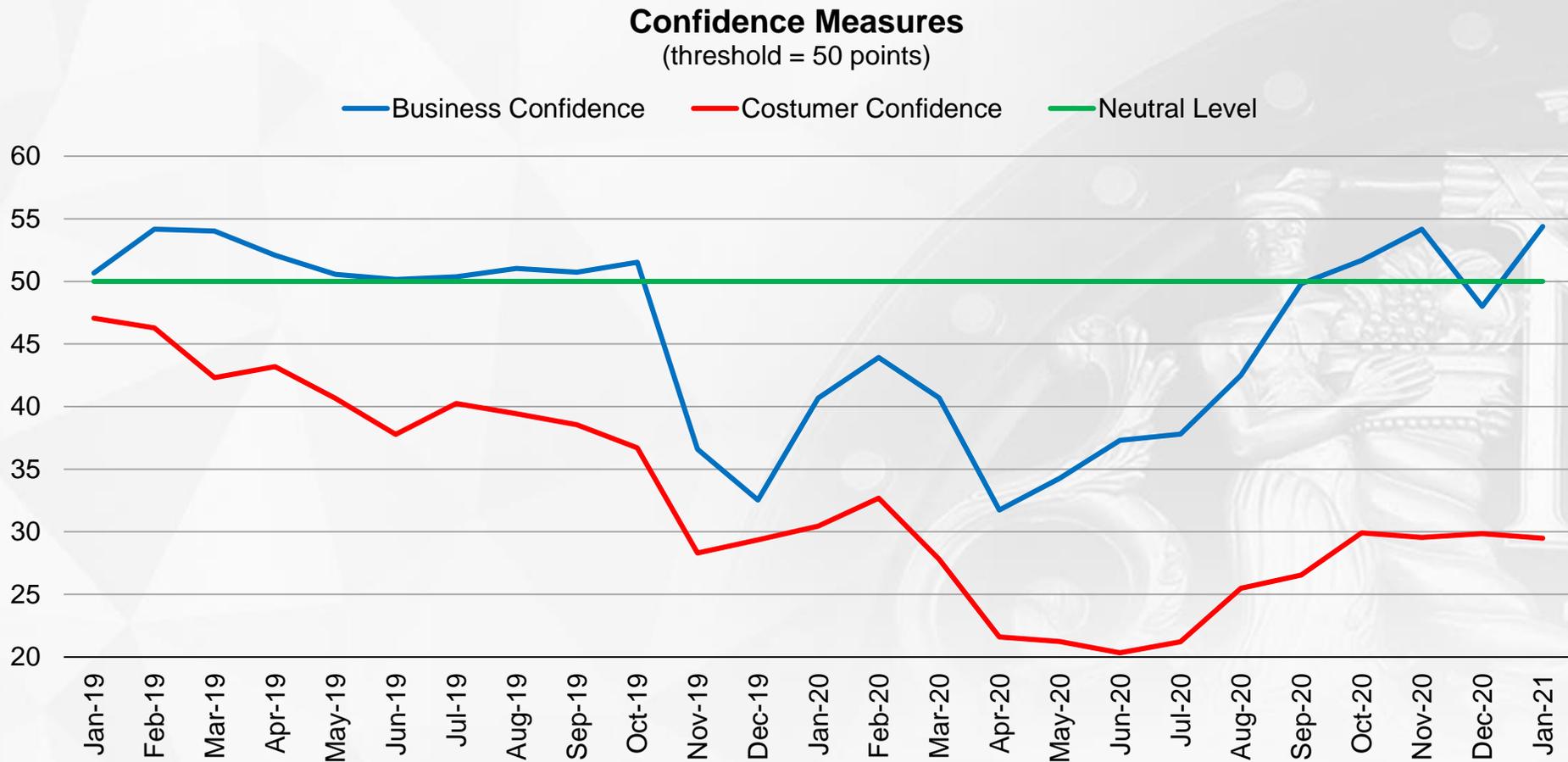
**BCCh Business Perception Survey: How likely your investment plan will be executed in 2021?**  
(% of total as of Feb.21)



The retail sector achieved record-high figures by the end of 2020. The recovery of the labor market will be key in next years.

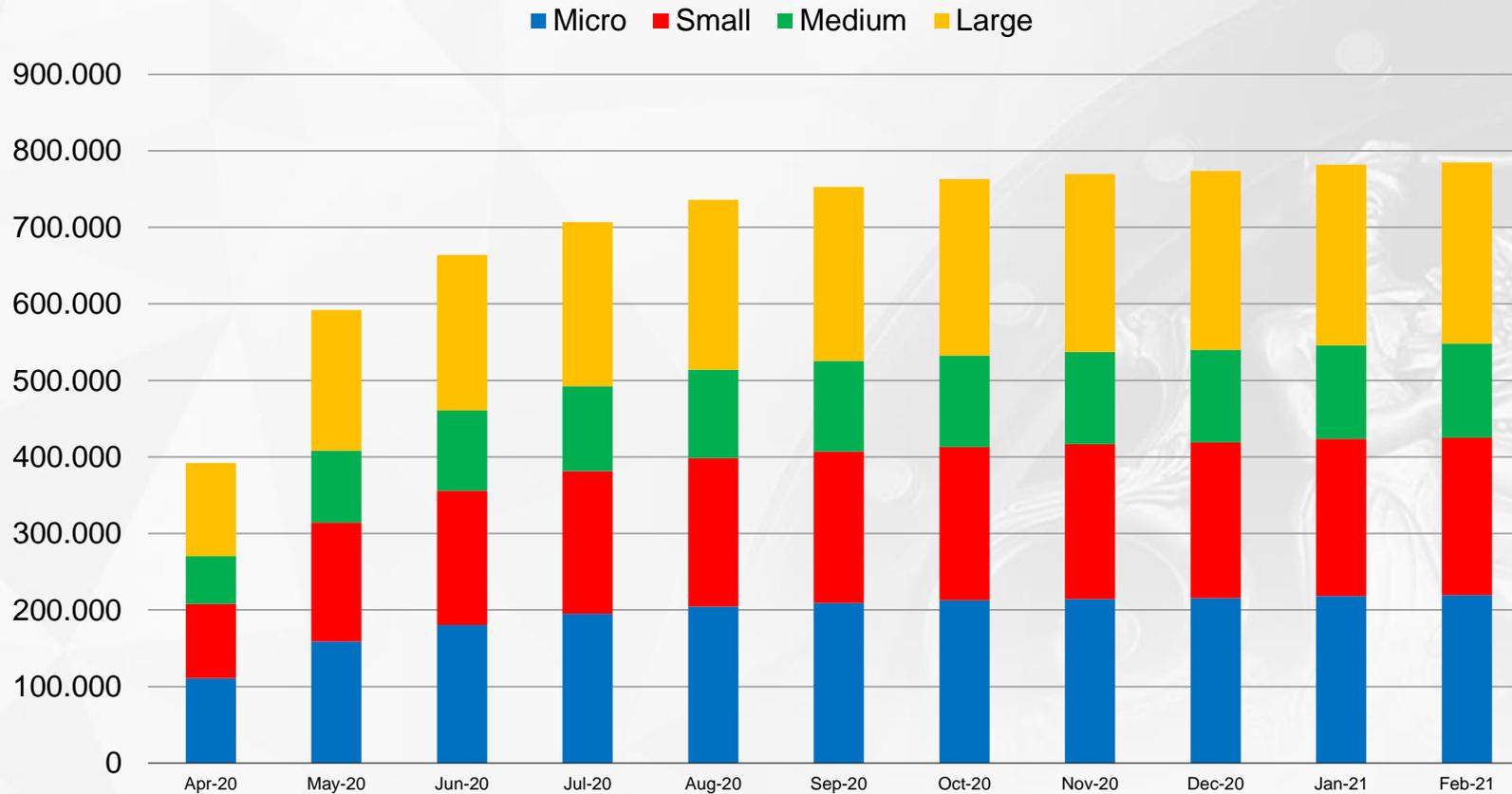


# Broad-based optimism is observed in business confidence measures, while most impacted activities start to recover.



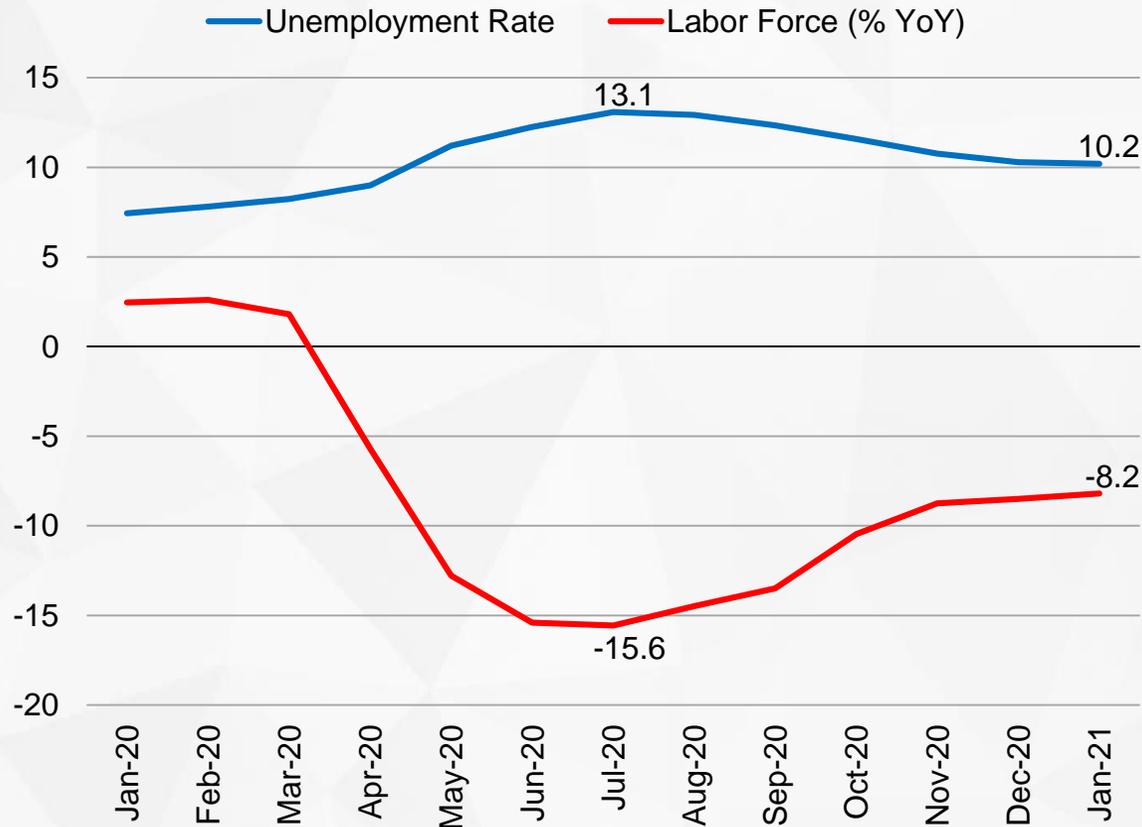
# The employment protection scheme avoided a major labor market disruption. The recovery of real wages continues.

**Workers covered under the new Labor Protection Law**  
(# of workers)

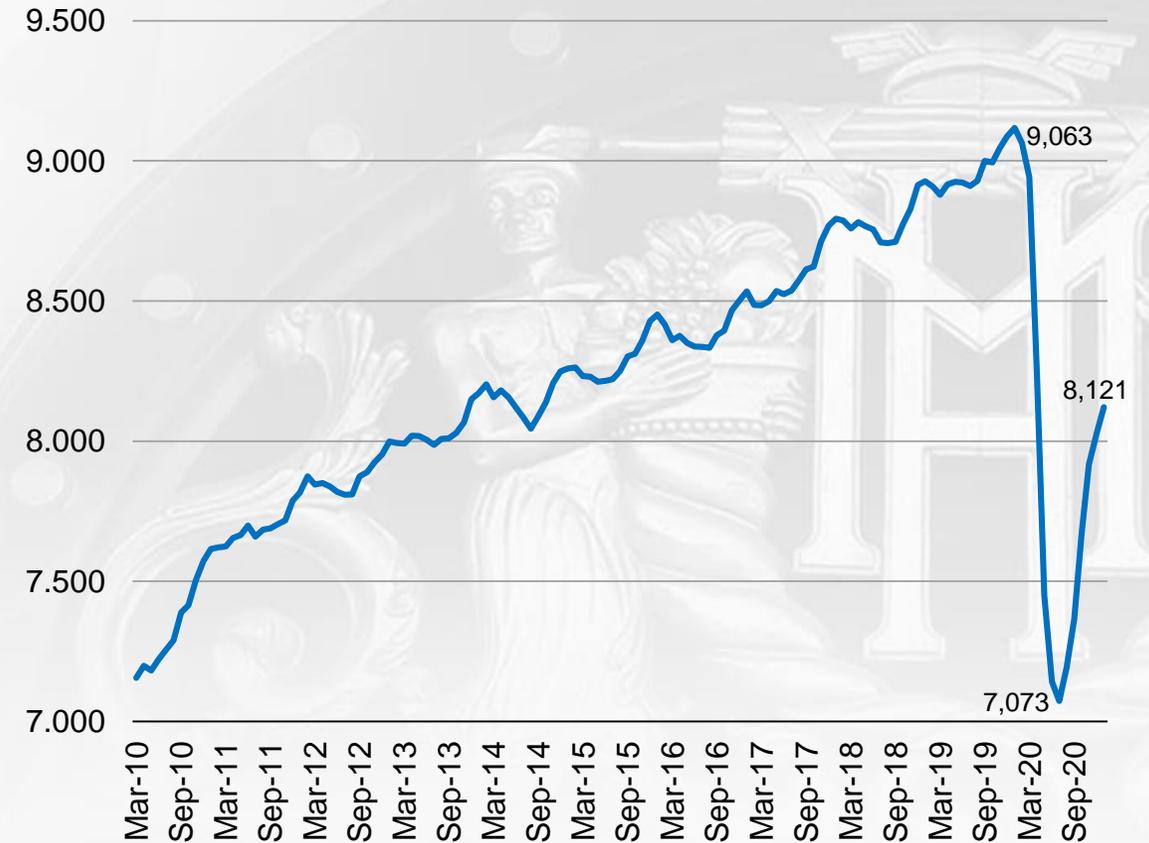


# The employment recovery continues and nearly 1 million job positions were created in the last six months. Gradually, more people are returning to the labor market.

### Labor Market's Indexes



### Employed persons, nationwide total (Thousand)

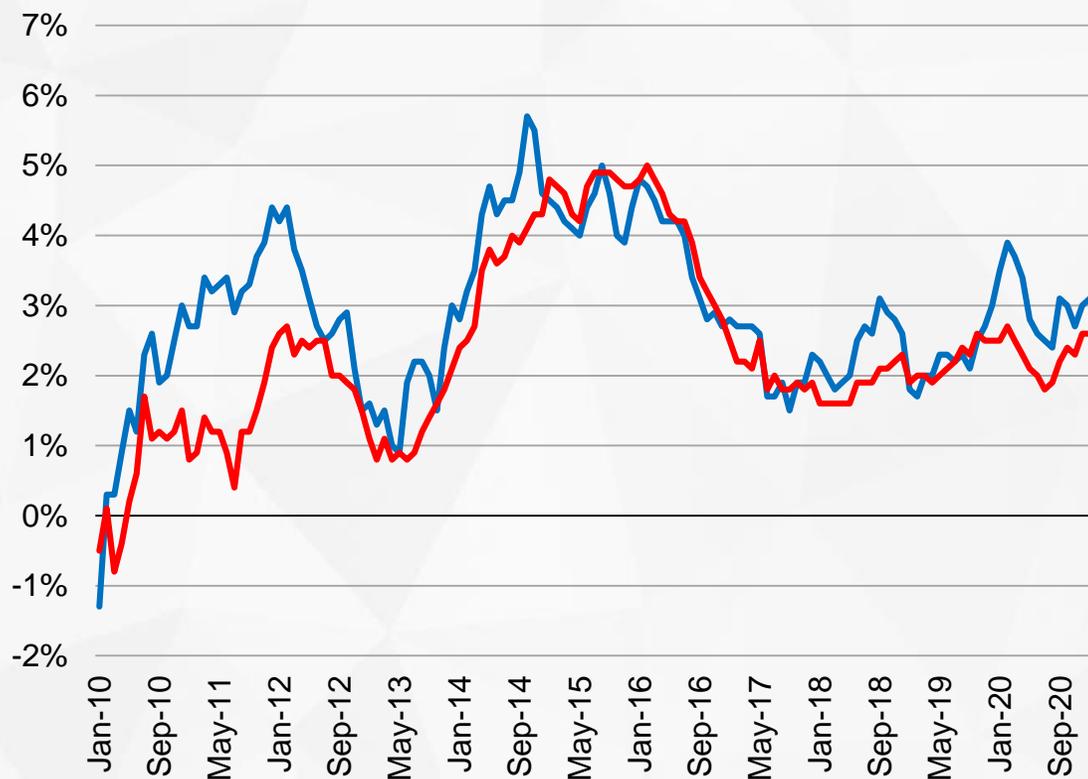


# Inflationary surprises have responded to transitory factors. Expectations remain well-anchored to the BCCh target.

### Headline and Core Inflation

(% change YoY)

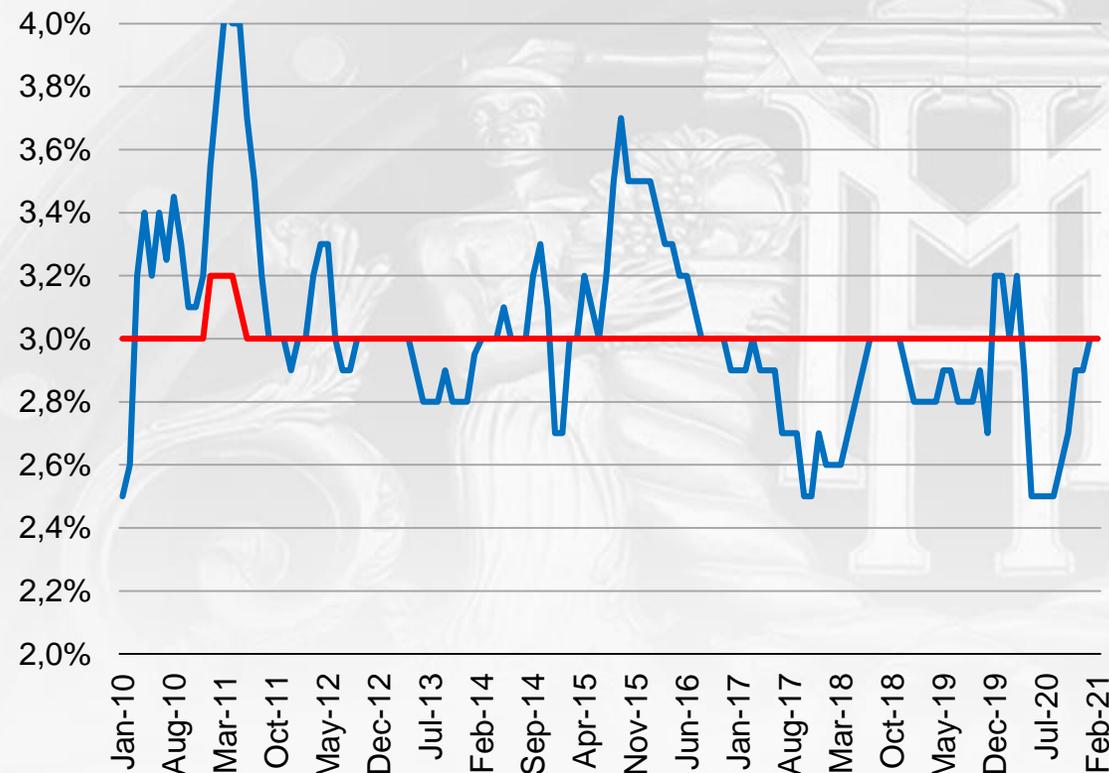
— Headline CPI — Core CPI



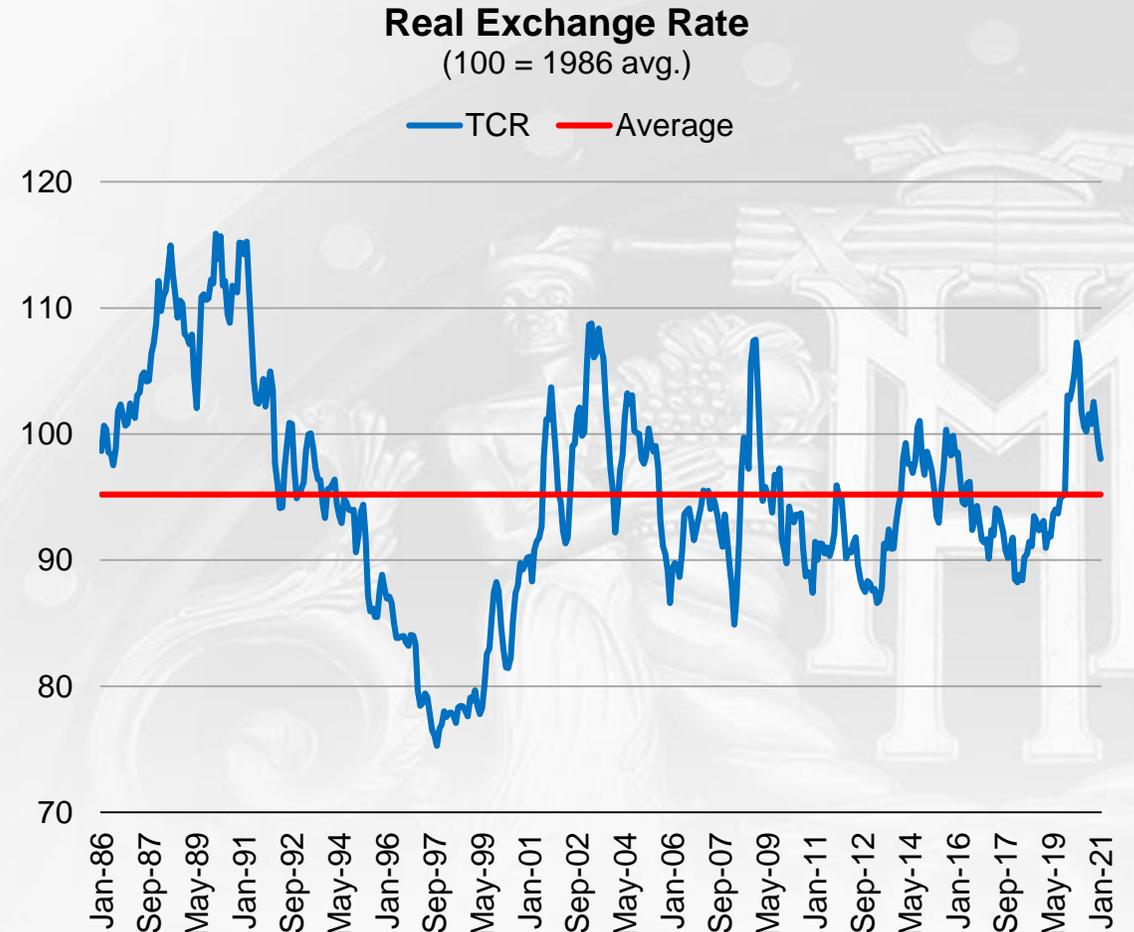
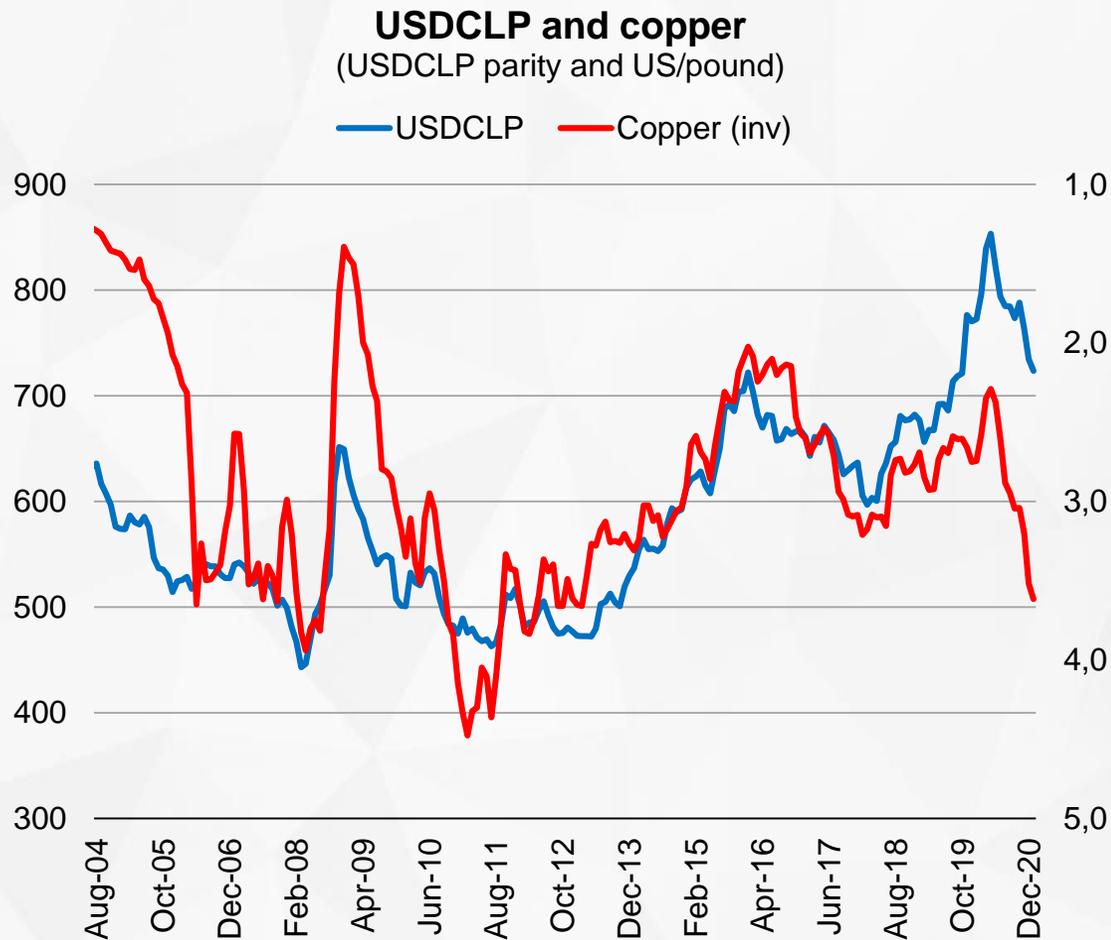
### Inflation Expectations

(% change YoY)

— Next 12m — Next 24m

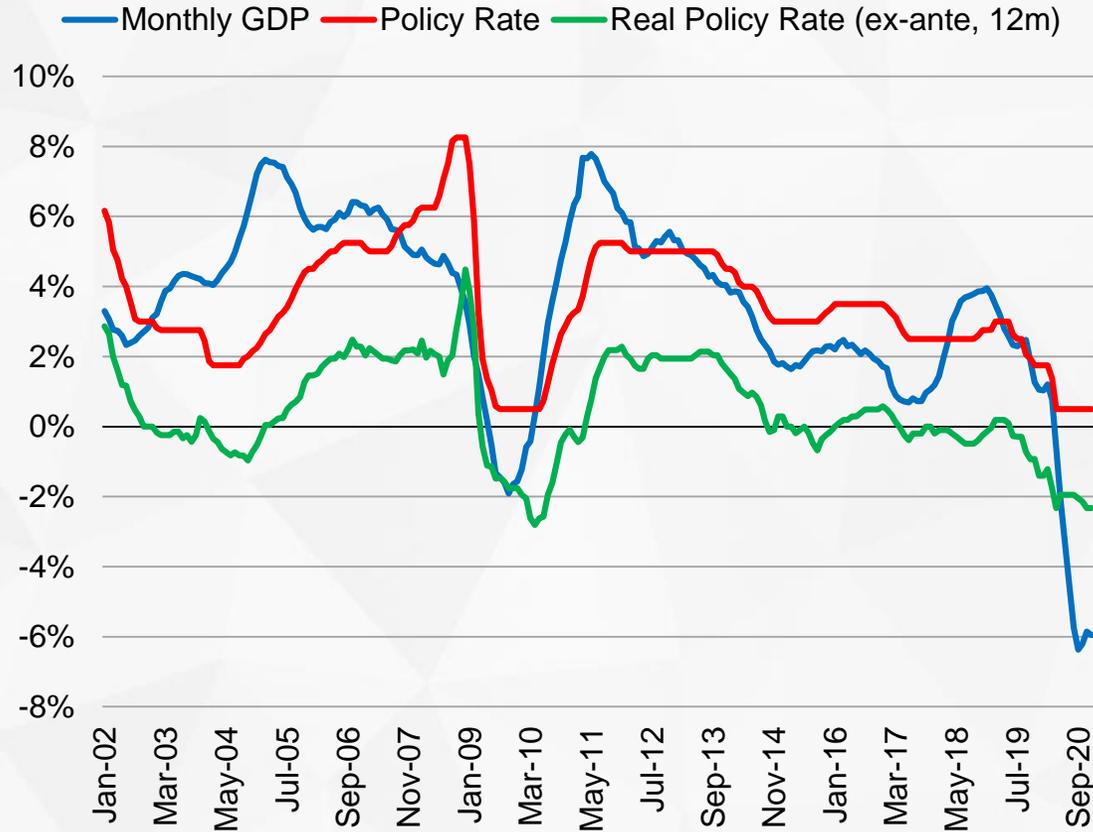


The CLP has been closely following the recent copper trend and the USD depreciative trend. The real exchange rate is closer to its historic average.

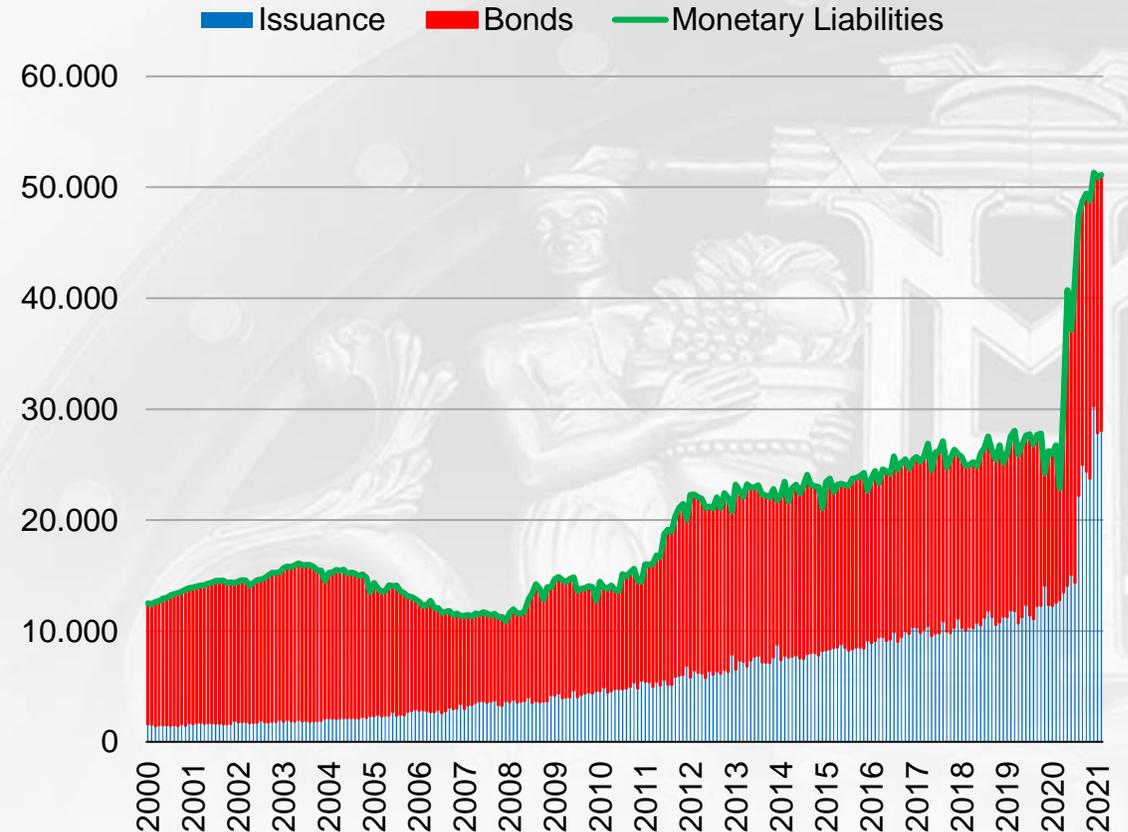


# The Central Bank has provided a sizeable stimulus through both conventional and unconventional policies.

**Monthly GDP, Policy Rate and Real Policy Rate**  
(% change YoY and %)

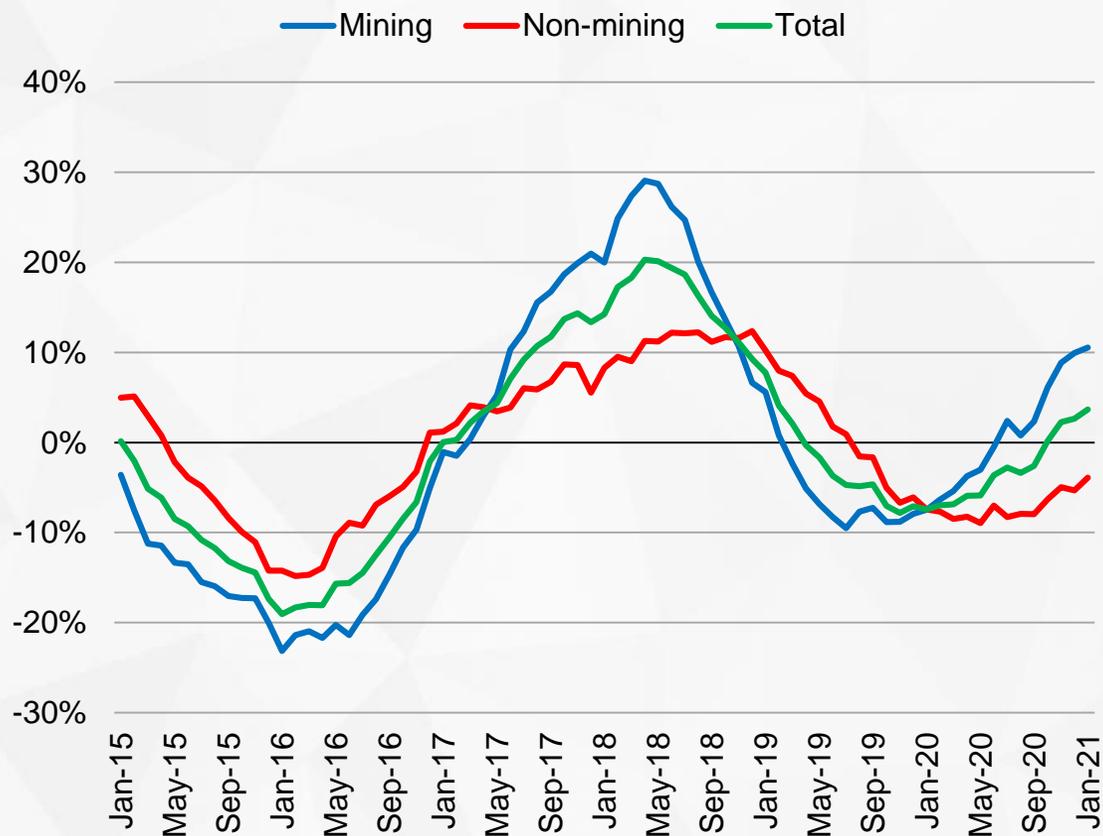


**Central Bank Balance - Liabilities**  
(CLP billions)

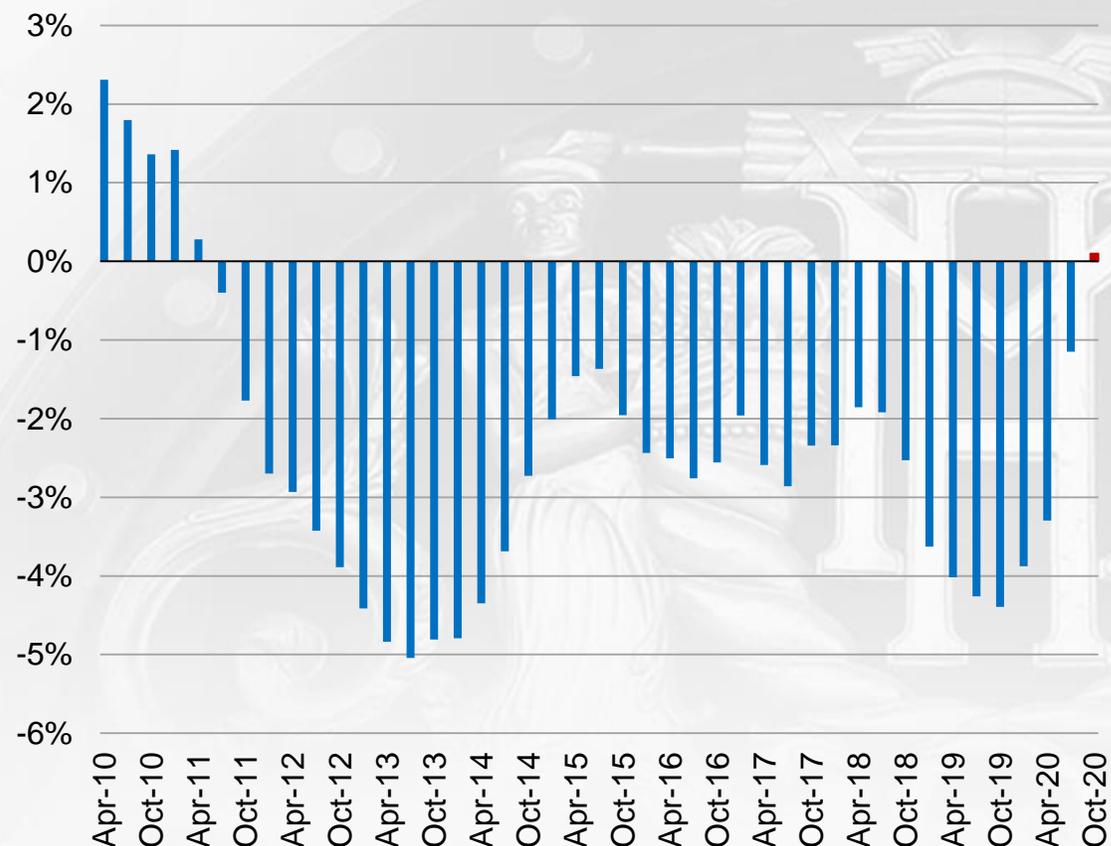


# A better copper outlook entails good news for the economy. Production, investment, employment, and fiscal accounts should improve if the recent trend continues.

**Mining and Non-mining Exports**  
(% change YoY)

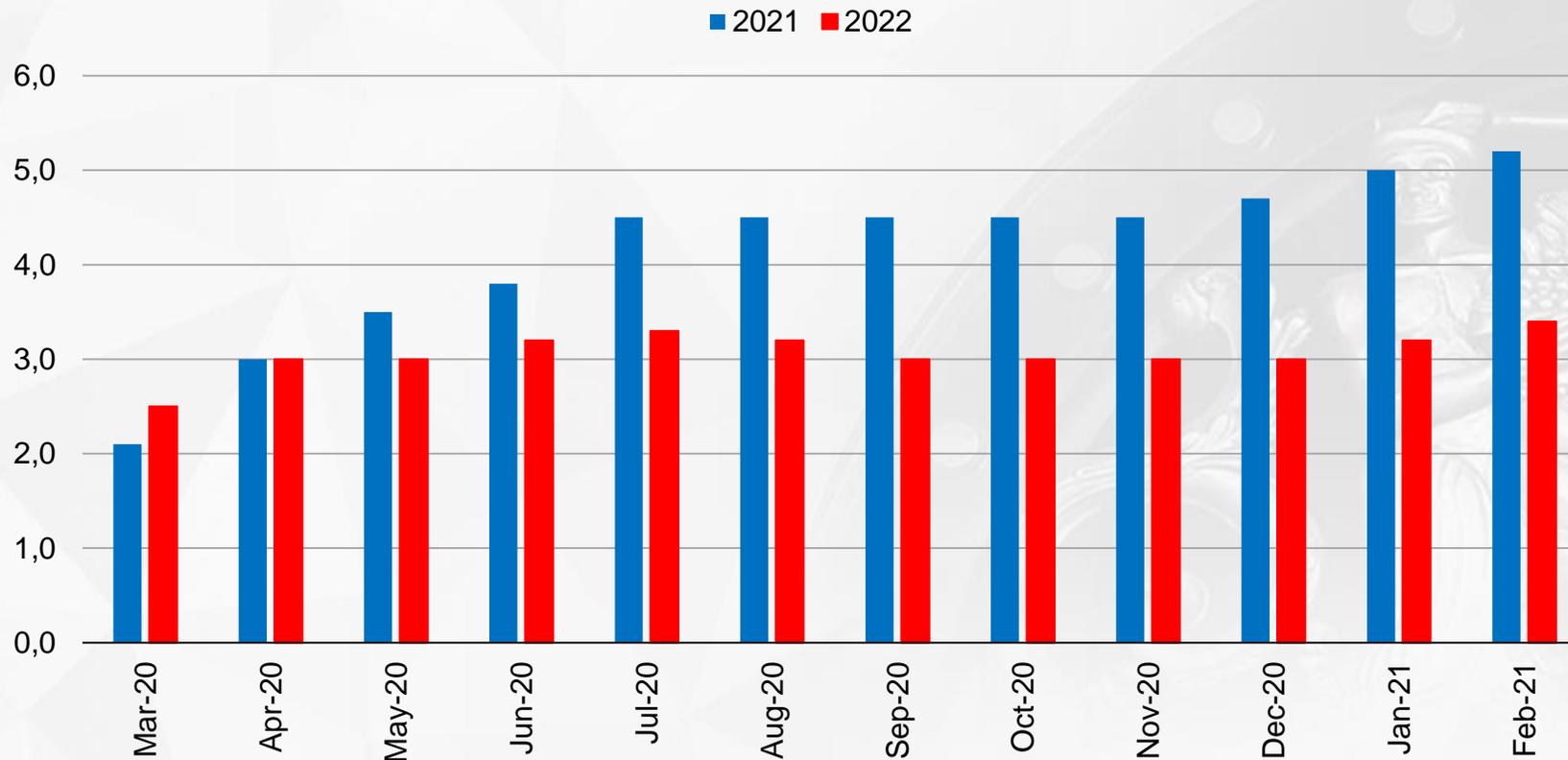


**Current Account**  
(% of GDP)



All is set for a strong recovery in 2021. Ongoing support from macroeconomic policies, the success of the vaccination program, and better investment figures will mark the agenda.

BCCh Economic Expectations Survey: Growth Projections  
(% change, YoY)



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