

Covid-19 is hitting a weak Chilean economy



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Latest World Economic Outlook: IMF Growth Projections

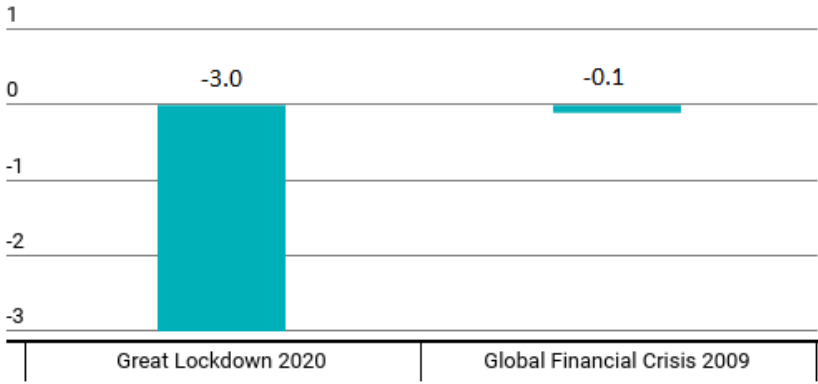
The COVID-19 pandemic will severely impact growth across all regions.

(real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0

The Great Lockdown

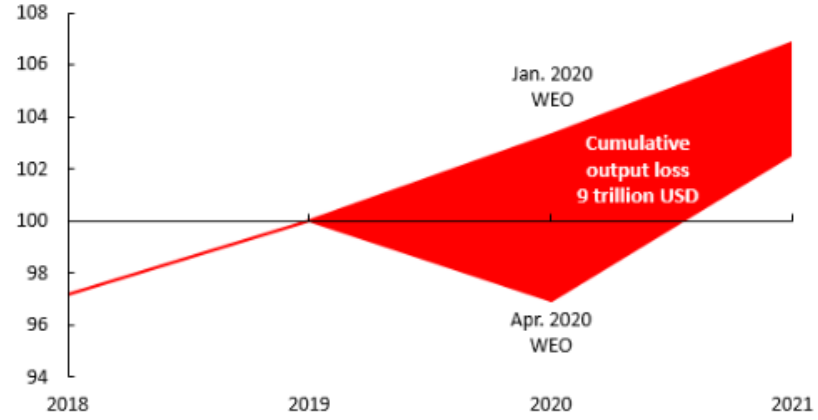
The world economy will experience the worst recession since the Great Depression.

(real GDP growth, year-on-year percent change)



Output losses

The cumulative output loss over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars.



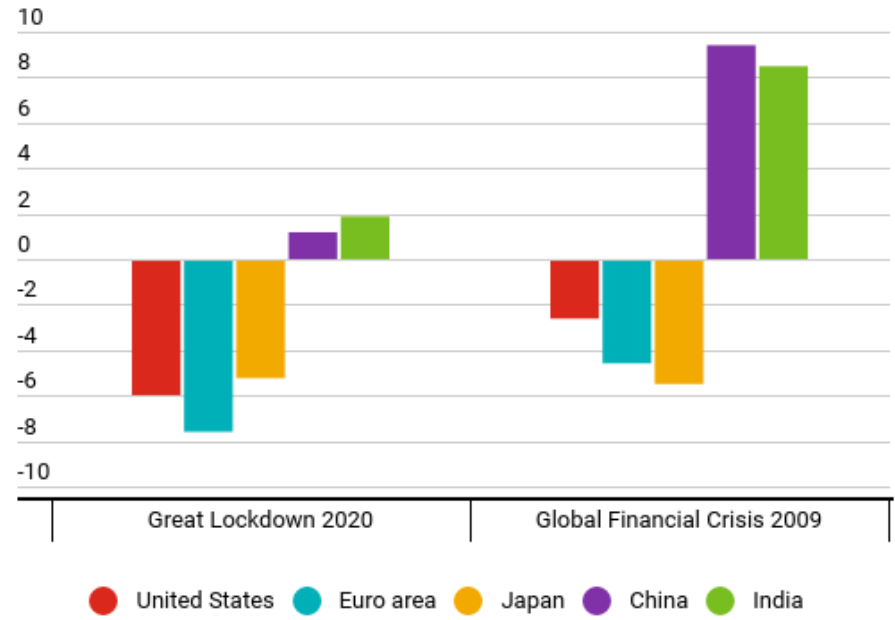
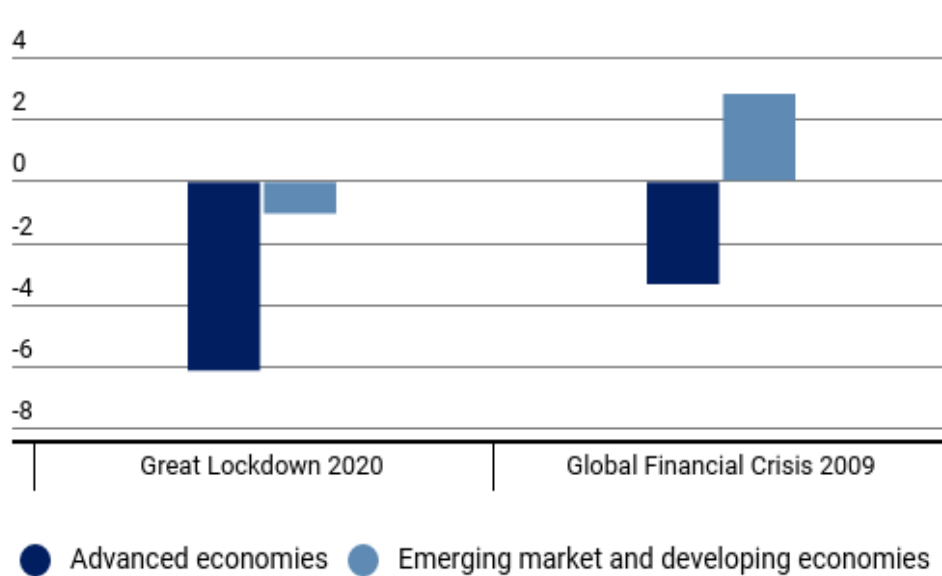
Source: IMF (WEO, April 2020)

Latest World Economic Outlook: IMF Growth Projections

Global crisis

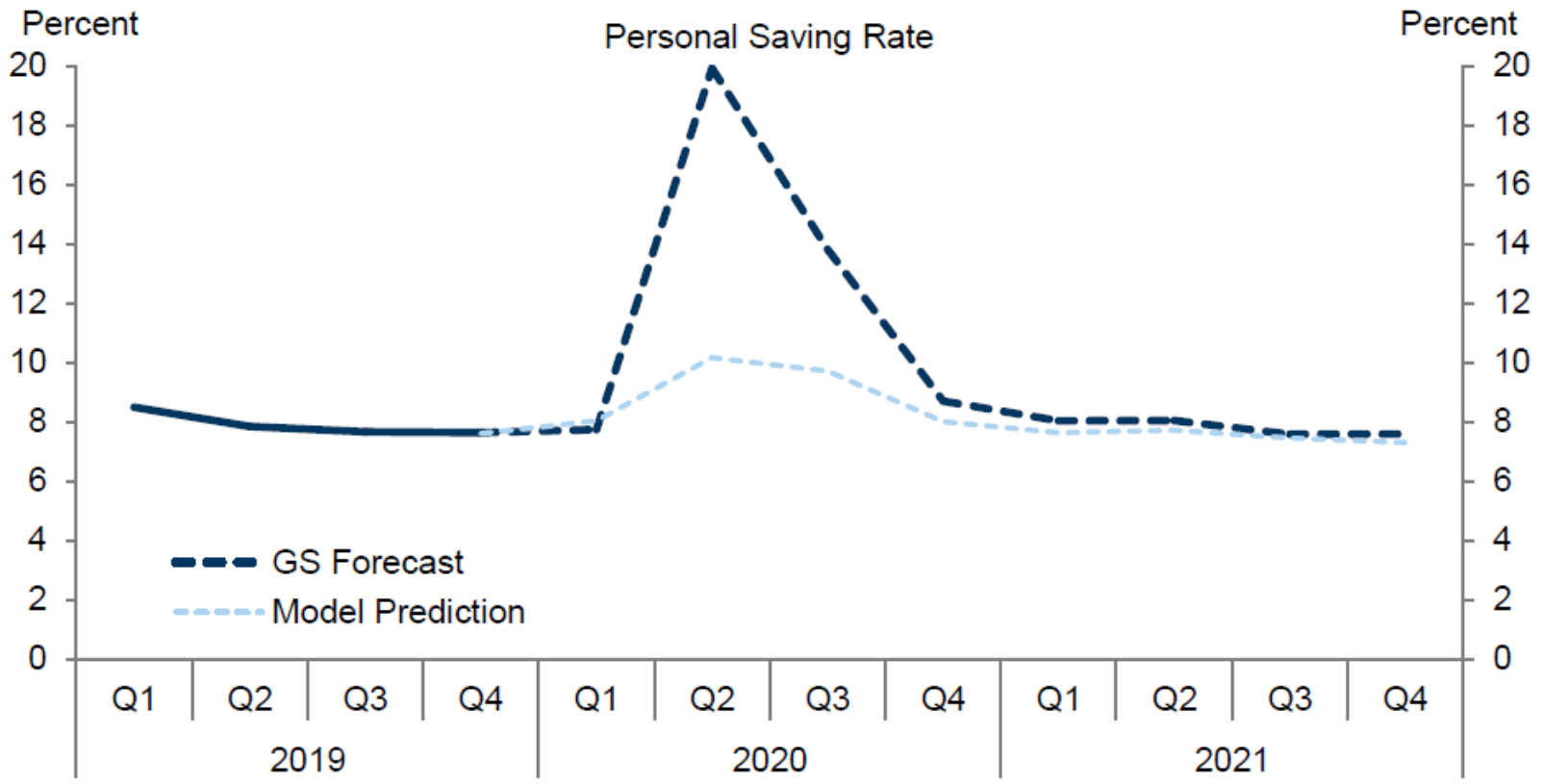
Both advanced economies and emerging market and developing economies are in recession. Major economies have also been significantly downgraded.

(real GDP growth, year-on-year percent change)



Source: IMF (WEO, April 2020)

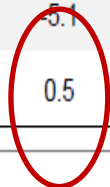
...but increase the saving rate at the same time



Source: Goldman Sachs Global Investment Research

Fiscal Support may compensate workers and corporates drop in income

Income Type	Income Relative to Pre-Virus Levels							
	2020				2021			
	% Change Due to Private Income	% Change Due to Government Transfers	% Change, Net	Dollar Change, Net	% Change Due to Private Income	% Change Due to Government Transfers	% Change, Net	Dollar Change, Net
Worker Income	-11.7	8.4	-3.3	-264.5	-5.0	1.6	-3.4	-267.8
Corporate Income	-17.9	12.8	-5.1	-98.0	2.0	0.0	2.0	37.2
Disposable Personal Income	-8.2	8.6	0.5	75.0	-3.9	4.4	0.5	81.5



Source: Goldman Sachs Global Investment Research

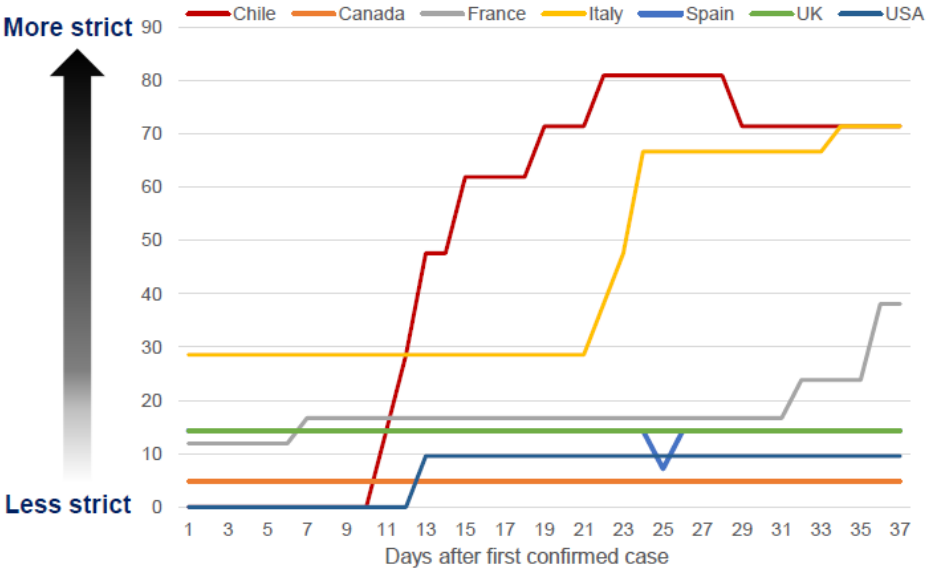
COVID-19 in Chile

The Action Plan has consisted in ...

- ✓ Declaring Sanitary Alert
- ✓ Strengthening the health system:
 - ✓ increasing health personnel;
 - ✓ greater number of beds;
 - ✓ purchase of technology and medical equipment, as needed;
 - ✓ training staff and ensuring they are prepared.
- ✓ Protecting borders
- ✓ Preparing and conducting PCR tests
- ✓ Closure of schools and bringing vacations forward
- ✓ Declaring “state of catastrophe”
- ✓ Declaring a nationwide curfew
- ✓ Establish customs and sanitary cords
- ✓ Declaring quarantines selectively
- ✓ Closing of all borders.

Stringency Index Across Select Economies

Index, Days after first confirmed case

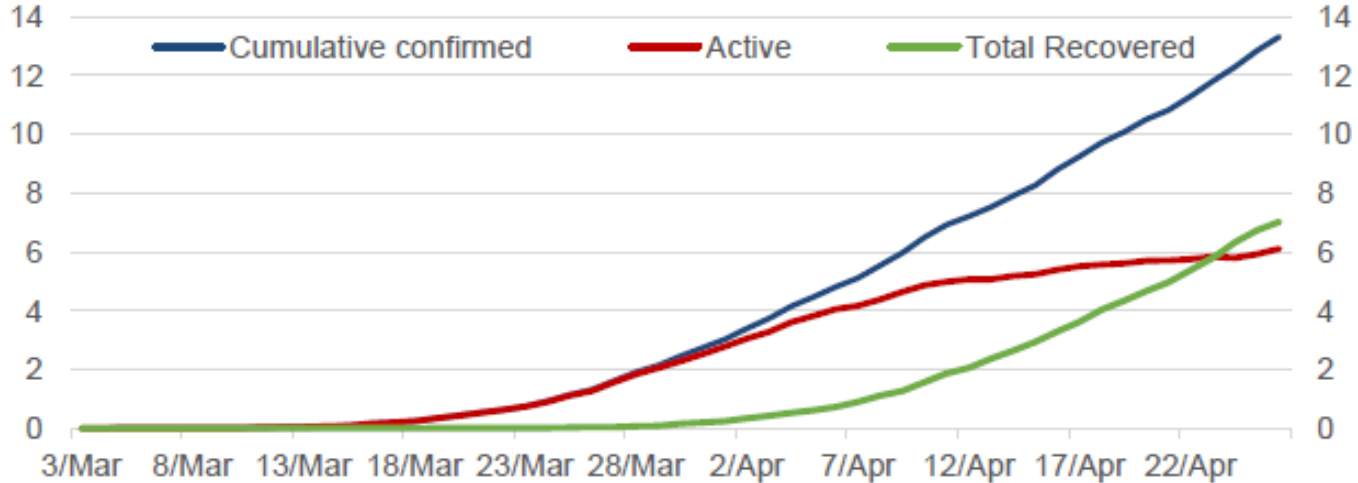


- The Stringency Index is an aggregated policy score of several indicators that reflect policies such as school closures, travel bans, etc., that are recorded on an ordinal scale.
- The index simply records the number and strictness of government policies.

Source: WHO, Bloomberg, Scotiabank Economics

COVID-19 in Chile

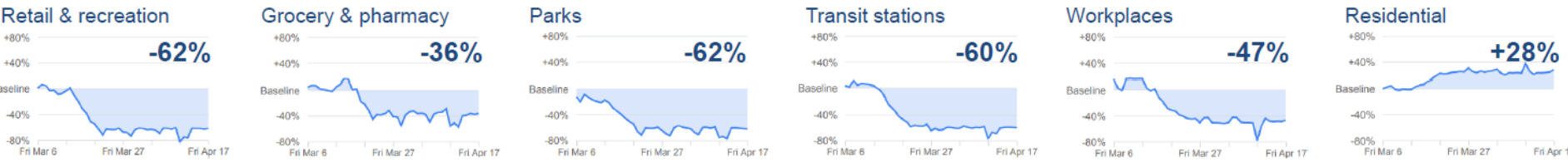
Confirmed COVID-19 Cases in Chile: Cumulative, Active, and Recovered
People, thousands



Source: Ministry of Health. Data through April 25th, 2020 at 21:00hrs in Santiago, Chile.

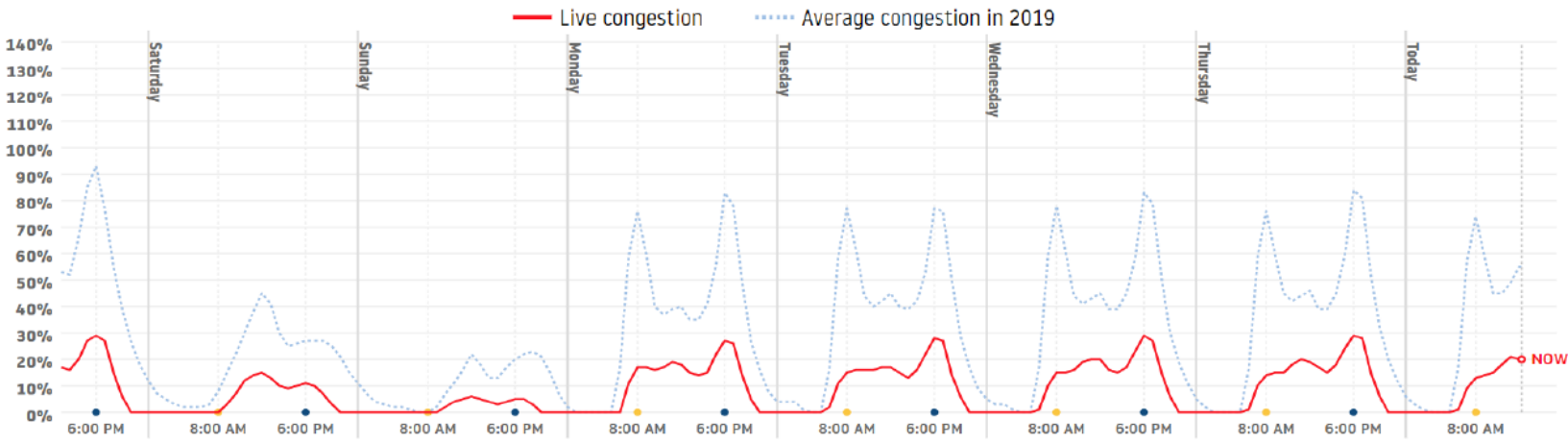
COVID-19 in Chile

Mobility Trends based on Smartphone User Data
Relative to baseline (Jan 3–Feb 6, 2020)



Source: Google COVID-19 Community Mobility Reports.

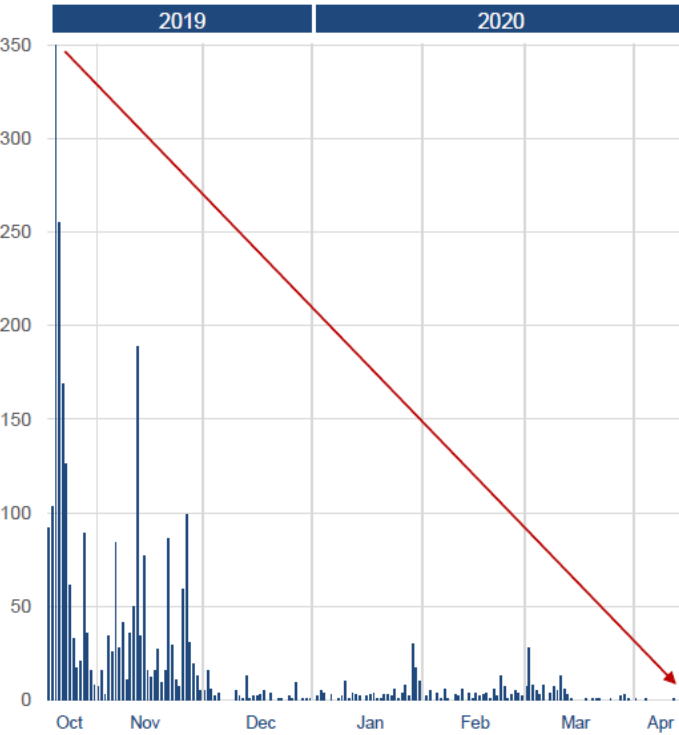
Traffic Congestion in Santiago between April 18th-24th



COVID-19 in Chile

Number of Severe Events in Chile*

Reported between October 19th 2019 - April 14th 2020



Source: Ministry of the Interior. * Defined as looting, arson, and/or destruction of property.

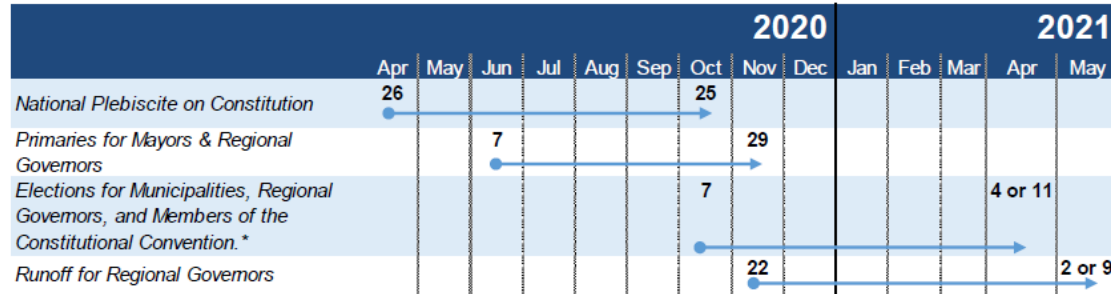
Evaluation of Institutions¹ and Industries²

CADEM survey, April 6th 2020

	Dec-19	Apr-20		Dec-19	Apr-20		
Investigative Police (PDI)	57	70	↑	Metro	53	64	↑
Civil Registry	68			Supermarkets	47	67	↑
Municipalities	64			Telecom Companies	44	46	↑
Navy	51	63	↑	National Health Insurance System	37	46	↑
Air Force	50	63	↑	Mining Companies	37	44	↑
Army	43	60	↑	Banks	34	44	↑
Police	35	49	↑	Pharmacies	21	39	↑
Central Bank	42	43	→	Retail	29	37	↑
Attorney General's Office	25	32	↑	Transantiago	15	36	↑
Business Associations	26	25	→	Isapres	10	12	↑
Catholic Church	19	25	↑	AFPs	9	12	↑
Justice Tribunals	18	24	↑				
Congress	11	13	↑				

Source: CADEM, April 6th 2020. ¹ Percent of Approval. ² Share of answers between 5-7, where 1 is "nada de confianza" and 7 is "muchísima confianza."

Adjustments to the Political Calendar



Source: Ministry of Finance. * Members of the Constitutional Convention will be selected in this election if the "Approve" option obtains a simple majority in the National Plebiscite of October 25th 2020.

COVID-19 in Chile

The overall objectives of the policy response are:

1. Ensuring the availability of fiscal resources for the public health sector;
2. Protecting incomes & jobs;
3. Injecting liquidity into the real economy;
4. Strengthening the availability of credit to households and firms.

Announcement of Economic Measures by the Government was quick with respect to other economies

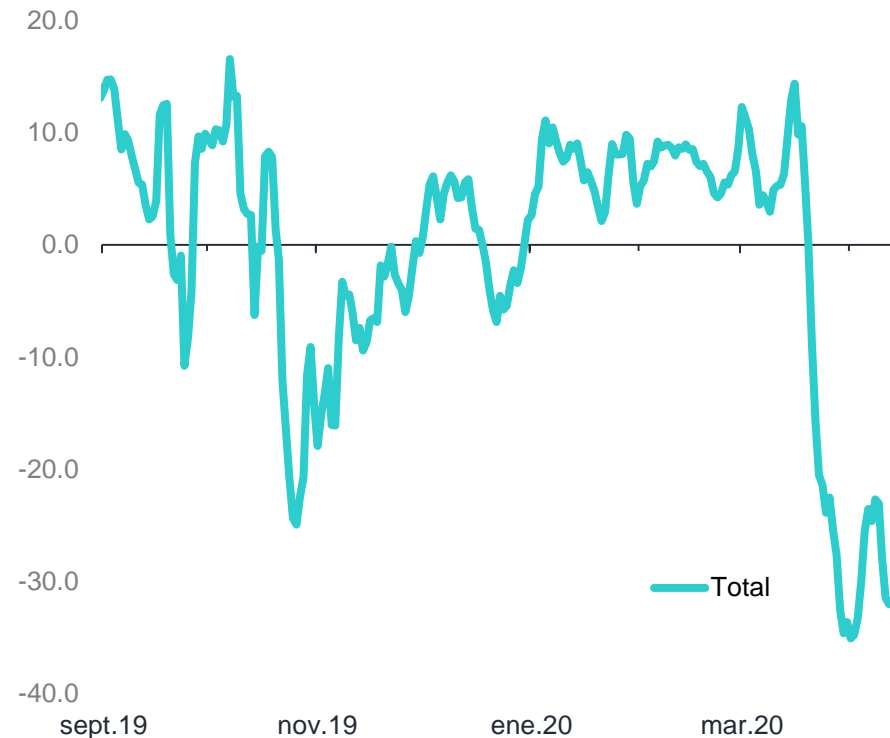
Country	First case	First announcement	Days between first case and first announcement
Chile	Mar. 3, 2020	Mar. 19, 2020	16
Korea	Jan. 20, 2020	Feb. 5, 2020	16
Brazil	Feb. 26, 2020	Mar. 16, 2020	19
Colombia	Mar. 6, 2020	Mar. 27, 2020	21
Peru	Mar. 6, 2020	Mar. 30, 2020	24
Japan	Jan. 16, 2020	Feb. 28, 2020	43
Germany	Jan. 28, 2020	Mar. 13, 2020	45
France	Jan. 24, 2020	Mar. 12, 2020	48
Philippines	Jan. 30, 2020	Mar. 19, 2020	49
USA	Jan. 21, 2020	Mar. 13, 2020	52
Canada	Jan. 26, 2020	Mar. 20, 2020	54
Italy	Jan. 31, 2020	Mar. 25, 2020	54
Singapore	Jan. 23, 2020	Mar. 20, 2020	57
Thailand	Jan. 13, 2020	Mar. 24, 2020	71
China	Dec. 8, 2019	Mar. 5, 2020	88

Source: Central Bank of Chile.

Purchases with credit and debit cards continue to decrease year-on-year, but show some stabilization in the first days of April.

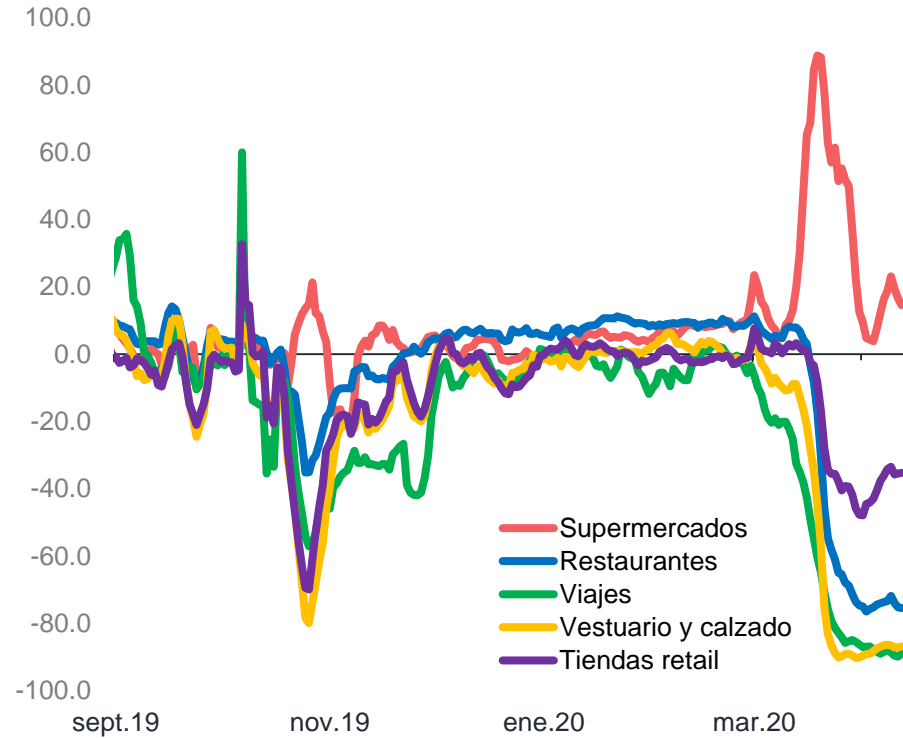
Purchases using credit and debit cards

(percentage, annual growth, 7 days moving sum)



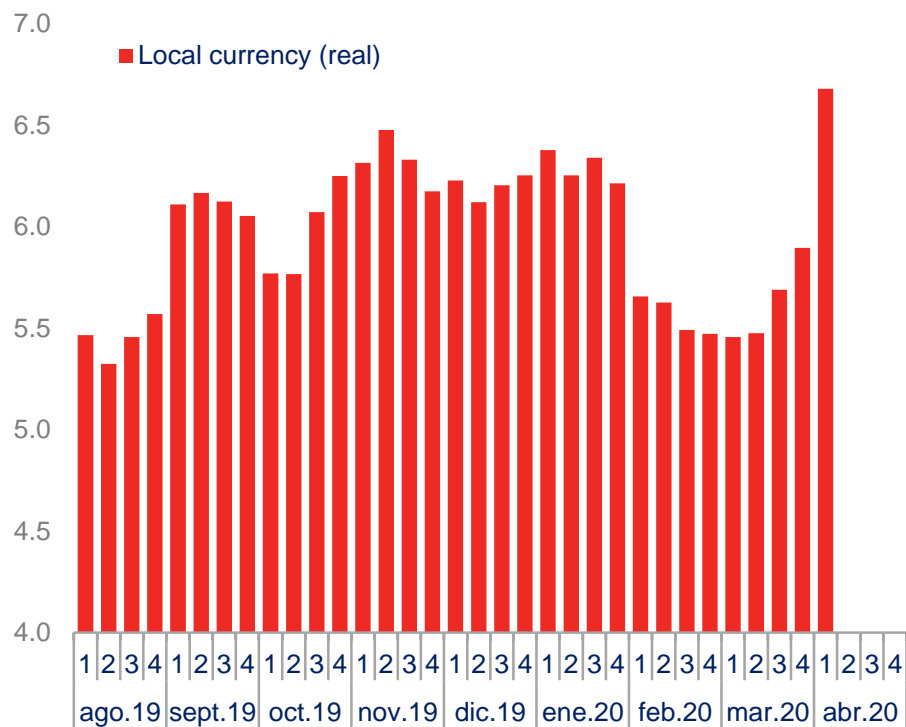
Purchases in different sectors

(percentage, annual growth, 7 days moving sum)

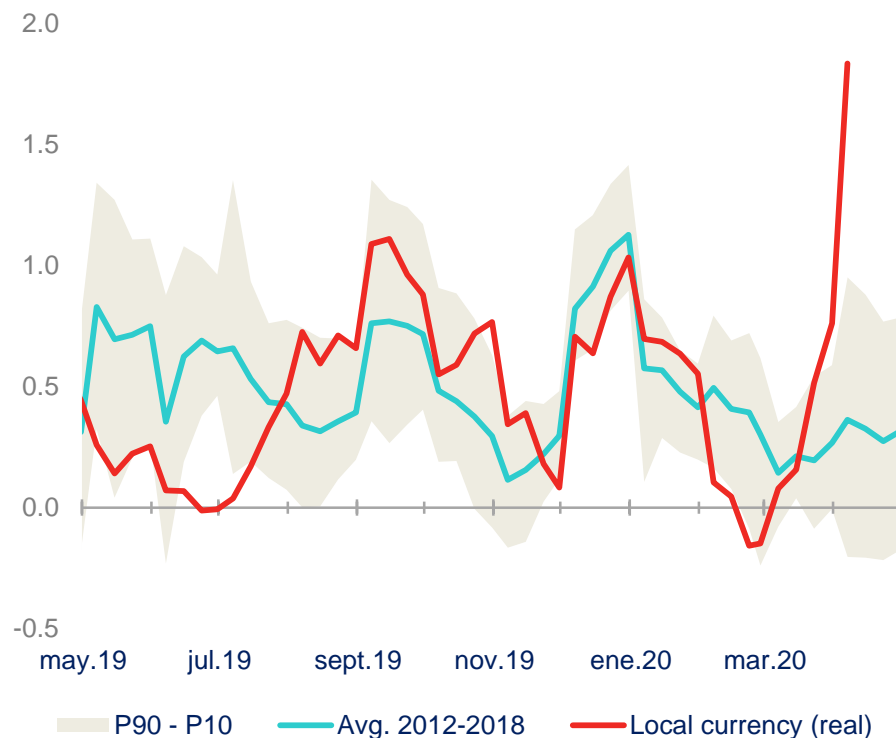


As of the first week of April, total loans in national currency show a strong rebound, increasing 6.7% in real annual terms, 0.8pp higher than the growth of the previous week.

Total loans in local currency
(percentage, annual real growth, weekly data)



Monthly dynamism of Total loans
(percentage, monthly real growth, weekly data, local currency)

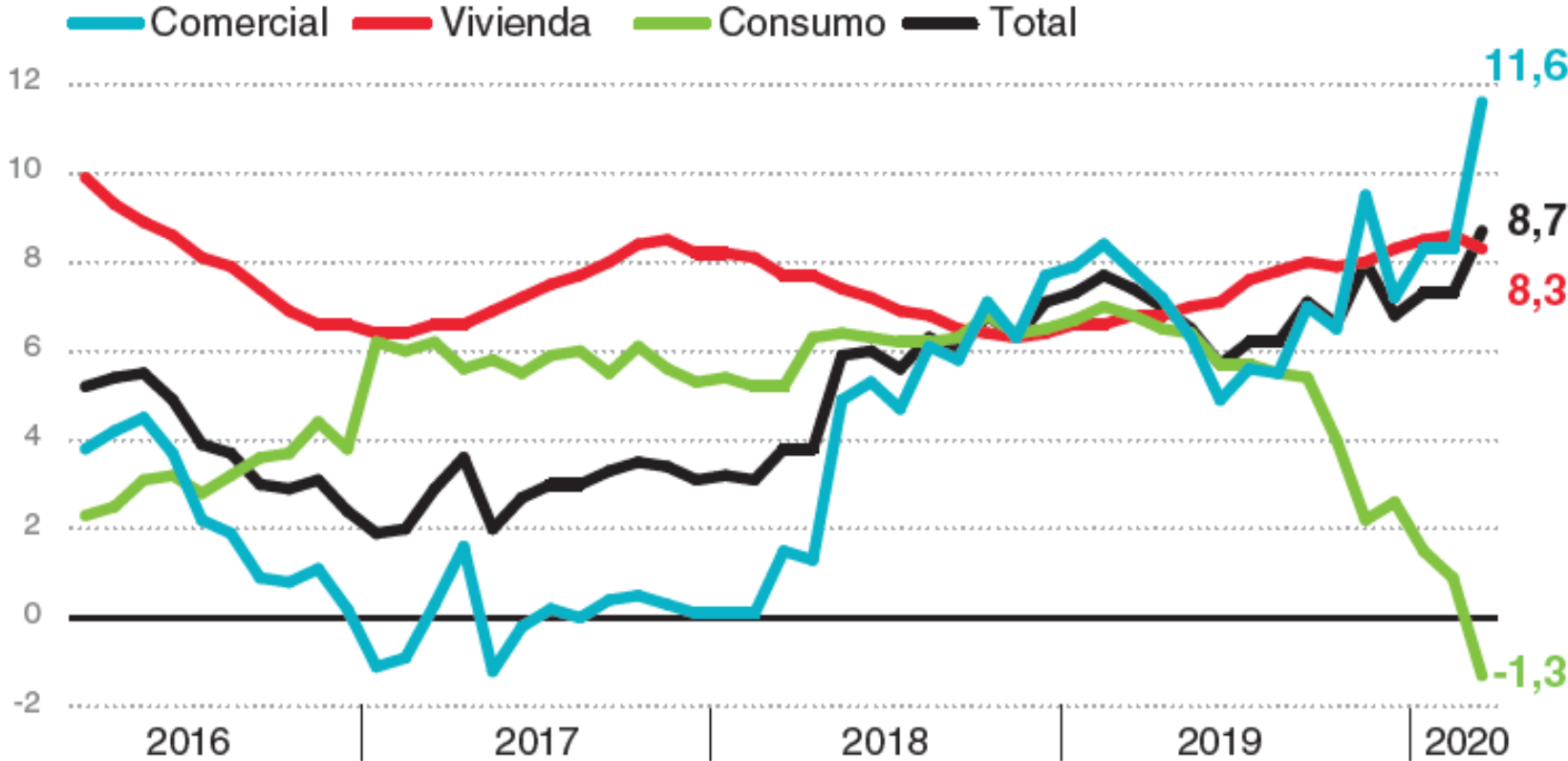


Source: Central Bank, Scotiabank Economics

Strong dynamism in commercial and mortgages loans

Colocaciones por tipo de crédito ^[1]

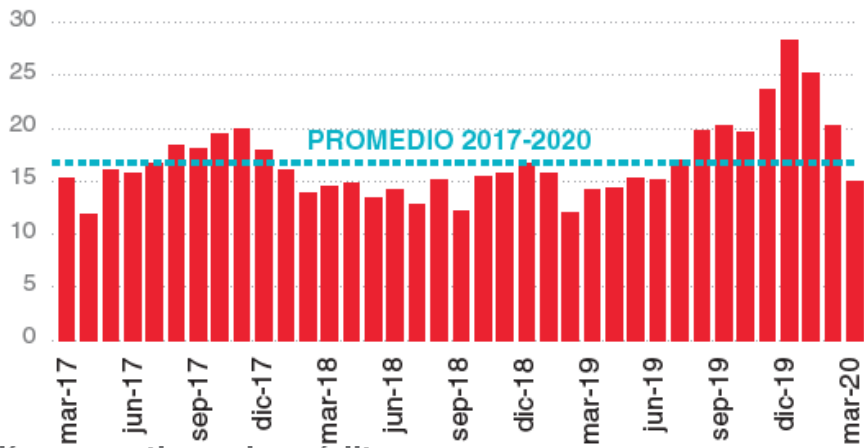
(Variación porcentual real en doce meses)



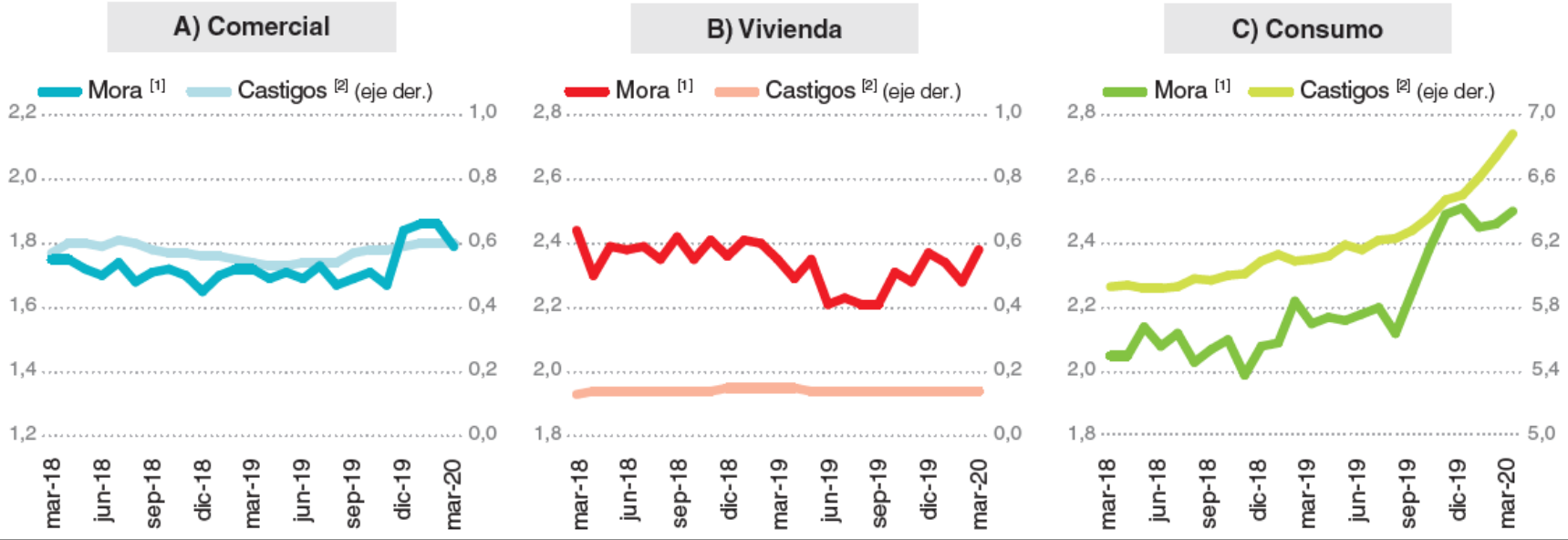
Source: Central Bank, Scotiabank Economics

Strong dynamism in commercial and mortgages loans

Flujo mensual de colocaciones hipotecarias:
Región Metropolitana
(Millones de UF)



Morosidad mayor a 90 días y castigos de créditos
(Porcentaje de las colocaciones)

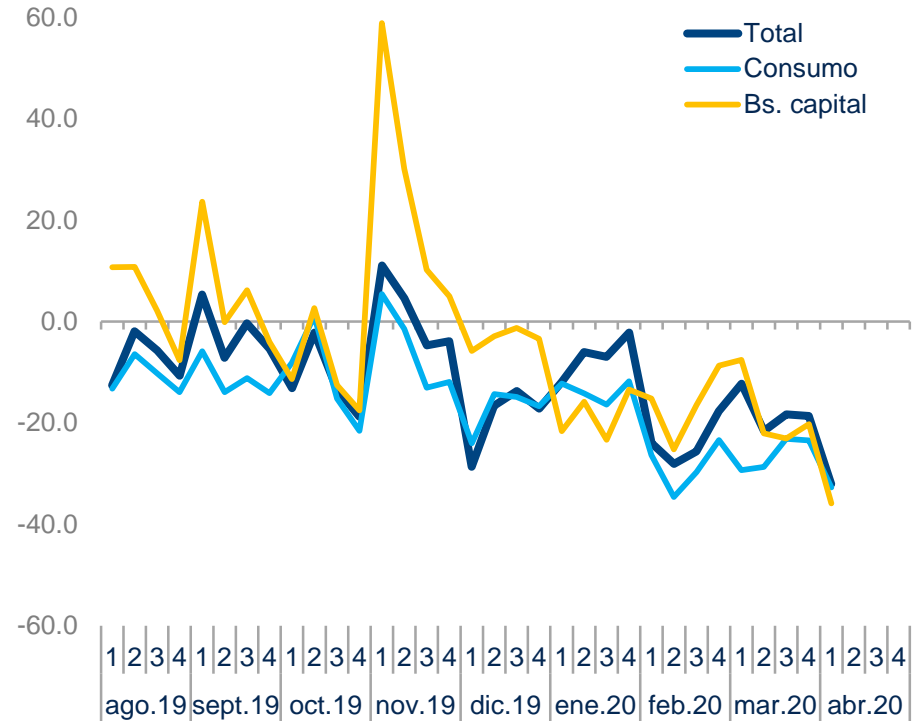


External trade figures maintained their weakness in March, despite some stabilization in the last two weeks of the month. Incoming data for April reveal a deeper impact of Covid-19.

Exports growth in 1st week of April: **-37.7% y/y**
 (percentage, annual growth)



Imports growth in 1st week of April: **-32.1% y/y**
 (percentage, annual growth)

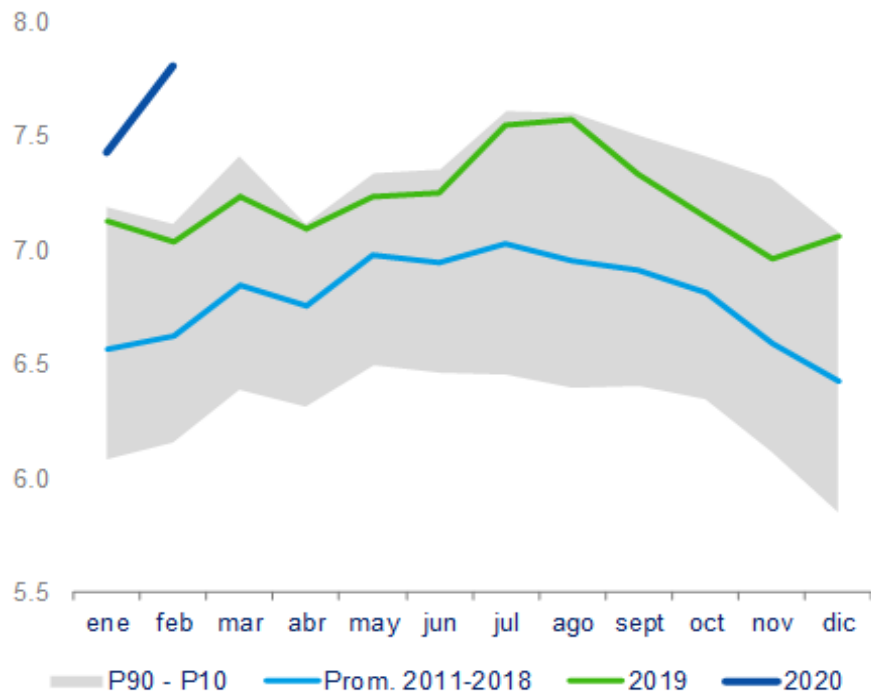


Source: Central Bank, Scotiabank Economics

Limited dynamism in the labor market before COVID-19 anticipates unemployment rates close to 2 digits in winter.

Unemployment rate

(percentage)



Employment creation by month

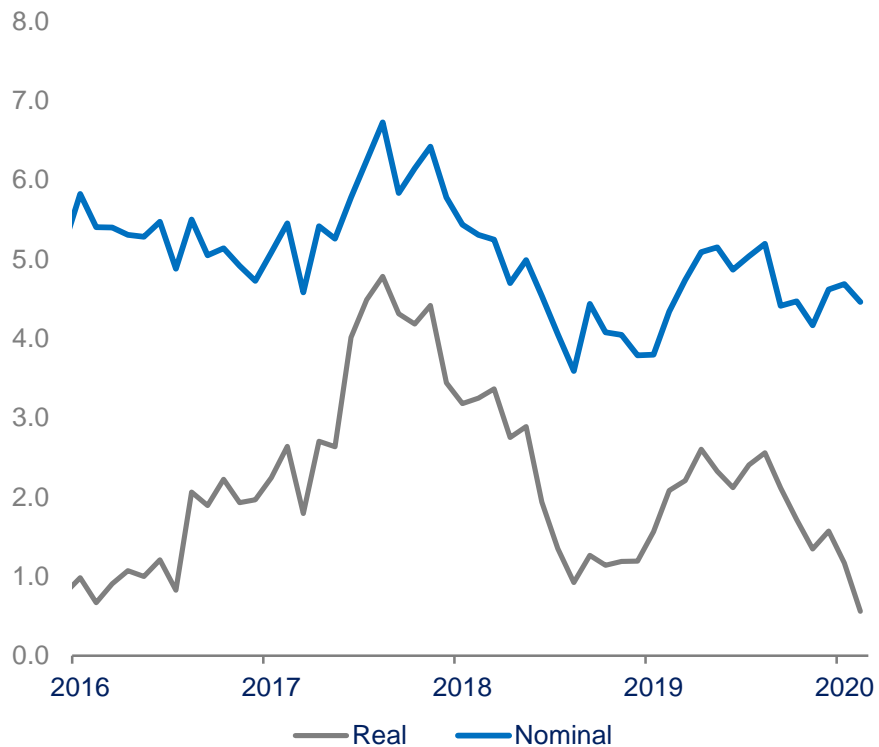
(thousands of people, monthly difference)



Sharp slowdown in wages (real and nominal) and abrupt deterioration in the Labor income after social unrest. COVID-19 would exacerbate this trend.

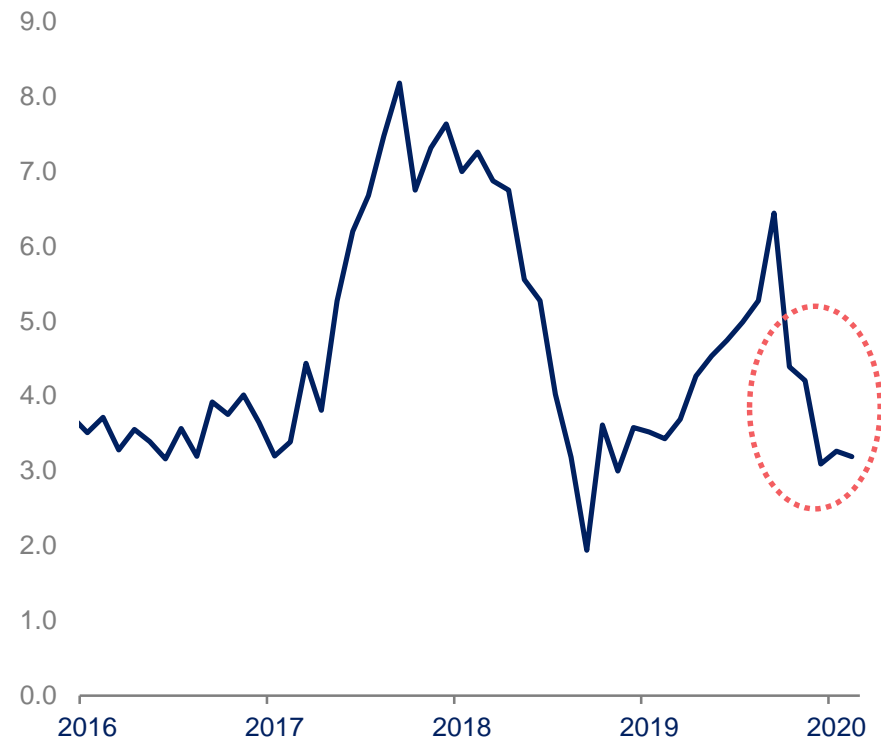
Wages

(percentage, annual change)



Labor income

(percentage, real annual change)



Source: INE, Scotiabank Economics

Economic Outlook

Forecast	2017	2018	2019	2020	2021
GDP (% yoy)	1.3	4.0	1.1	-2.1	2.9
Inflation (% yoy, eop)	2.0	2.1	3.0	2.8	3.0
Exchange rate (vs. USD, eop)	637	695	753	790	720
Monetary policy rate (% eop)	2.5	2.75	1.75	0.5	1.5
Copper price (US\$/lb, eop)	2.80	2.7	2.8	2.6	2.6
Private consumption (% yoy)	3.4	3.7	1.1	-3.0	3.5
Public consumption (% yoy)	4.6	4.3	-0.3	8.5	3.5
Investment (% yoy)	-3.1	4.8	4.2	-8.0	3.0
Fiscal balance (% GDP)	-2.8	-1.7	-2.8	-8.0	-6.0
Current account (% GDP)	-2.2	-3.1	-3.9	-1.5	-0.5