

Tracking activity: Coming back to macro balances with stalling credit flow

Aníbal Alarcón
Waldo Riveras
Jorge Selaive

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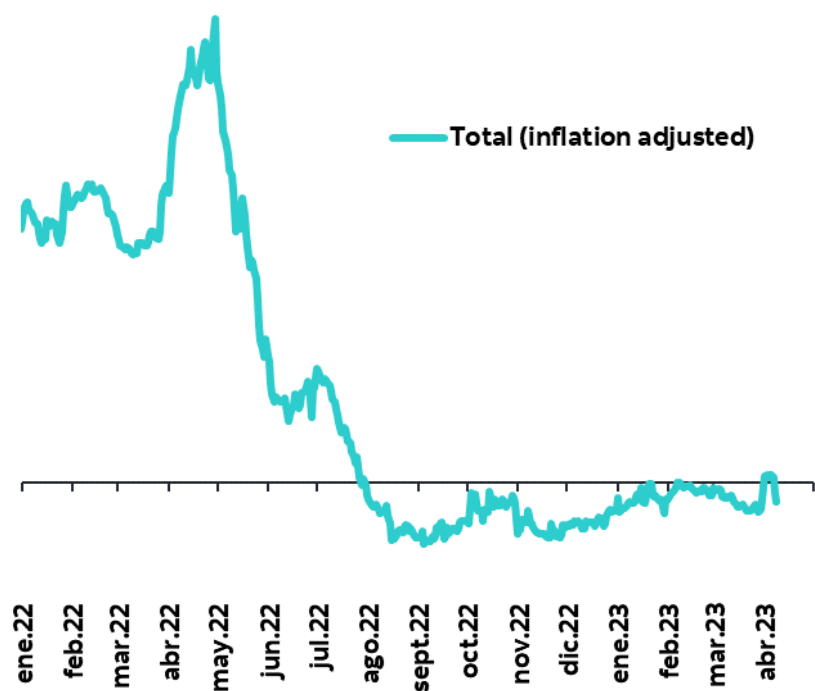
Key messages

- **We continue forecasting a mild recession in 2023 with a GDP contraction of 0.8%.** We forecast monthly GDP growth between -1.5/-0.5% y/y in March followed by negative y/y prints until June.
- **We forecast Retail Sales decreasing 8% y/y in March (-1.0% m/m).** As we anticipated, a rapid adjustment in the current account deficit is already underway and is no longer a concern (we forecast a CA deficit of 2% of GDP in 2023).
- **We observe a more intense usage of credit cards amid restrictive credit conditions.** Even though, much of the greater dynamism is explained by tax and travel payments. Contrary to Central Bank's view using only Metropolitan Region credit cards statistics, we see flat flow of credit at national level and even deceleration at the margin.
- **We continue to forecast headline inflation of 3.7% in 2023** driven by declining tradable inflation and weak private consumption, along with persistent strong peso in real terms.
- **Good news on the political front will continue:** (1) the new constitutional process has enough restrictions that limit chances of extreme proposals; (2) the government will concede much more on the structural reforms (tax and pensions); (3) increasing probability that right-wing parties will obtain more than 3/7 of the assembly members on May 7 election; (4) political uncertainty will continue to decline favoring appetite for Chilean assets.

Private consumption landing to a sustainable level. We do not see signs of recovery, but rather stabilization at low levels.

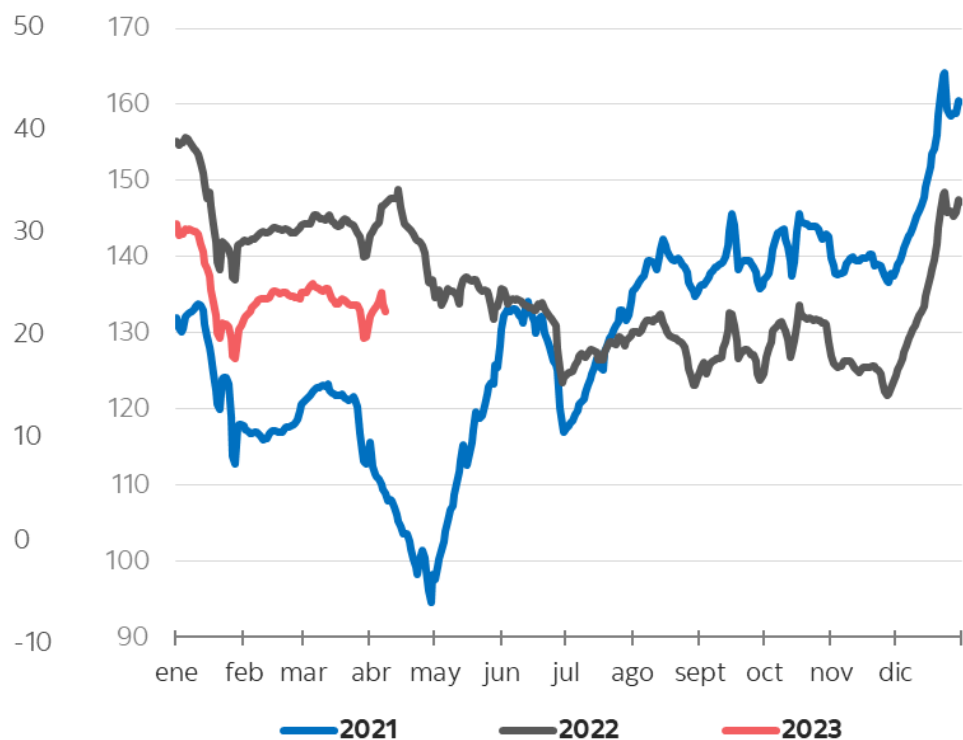
Purchases with credit and debit cards

(%, real annual growth, 28-day mov. avg., up to Apr. 8)



Purchases with debit cards

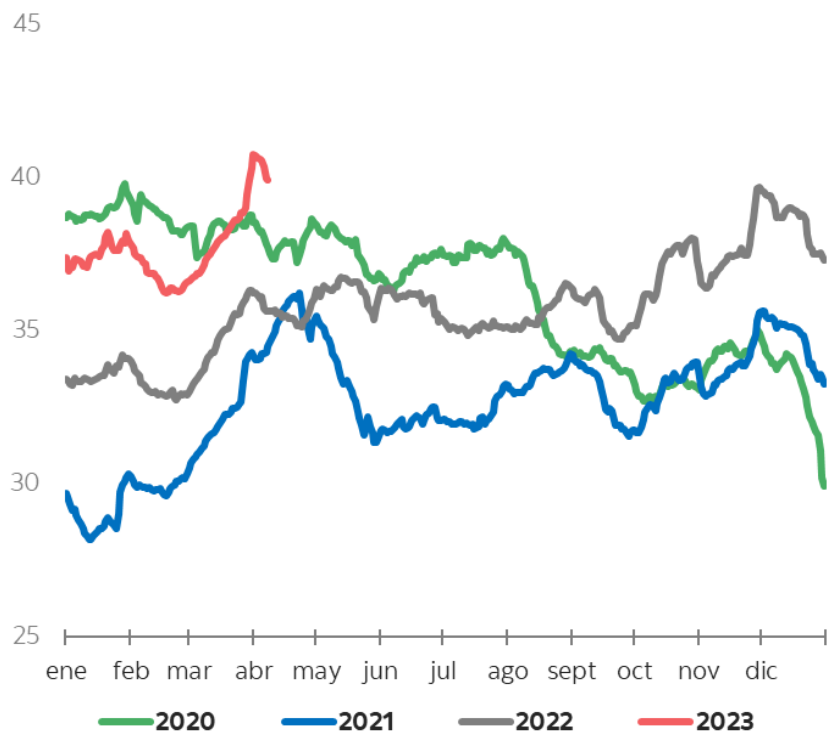
(level, real, index 1-Jan-2020=100, 28-day moving sum, up to Apr. 8)



Use of credit card increases due to restrictions on credit conditions. Much of the greater dynamism is explained by tax and travel payments.

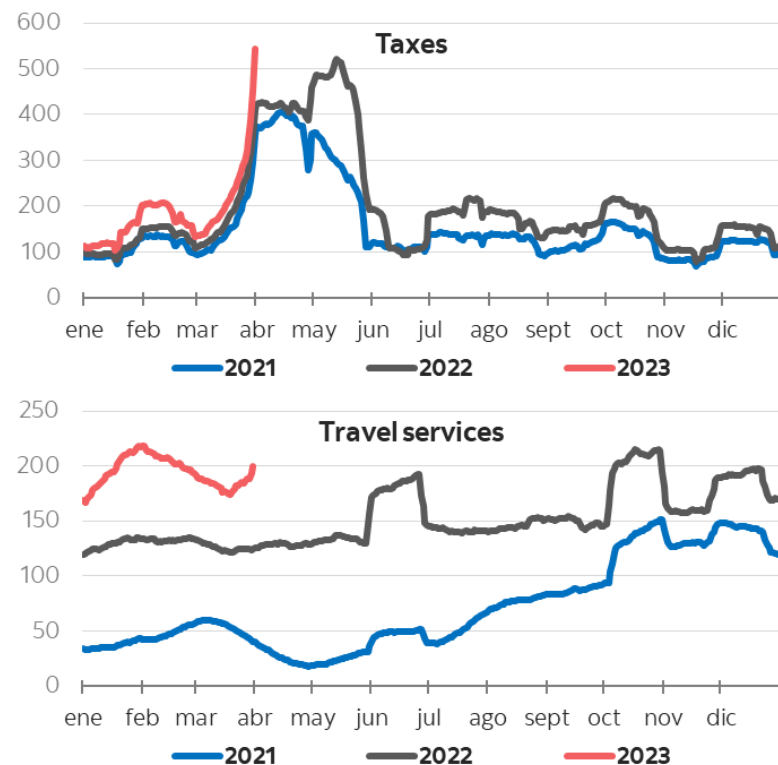
Use of credit cards

(% of total purchases, up to April 8)



Purchases with credit cards

(level, real, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



Contrary to Central Bank view using only Metropolitan Region credit cards statistics (IPoM Chapter I, graph I.14), we see flat flow at national level and even deceleration in the margin.

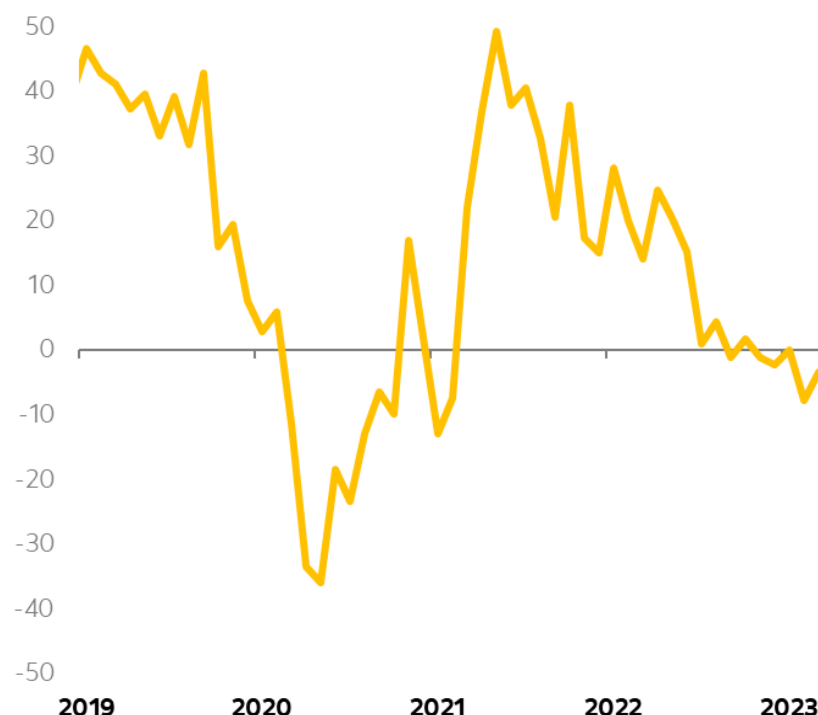
Flow of credit: only credit cards

(millions of UF, mov. quarter, total banking sector, up to March 2023)



Flow of credit: only credit cards

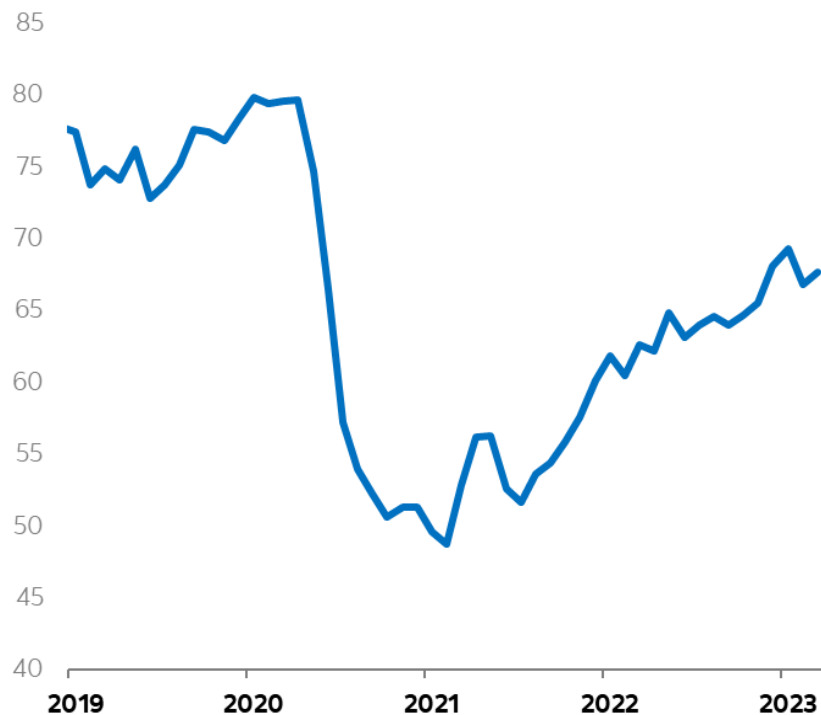
(%, real annual growth, total banking sector, up to March 2023)



Additionally, total consumer credit in the Metropolitan Region is in a clear deceleration mode.

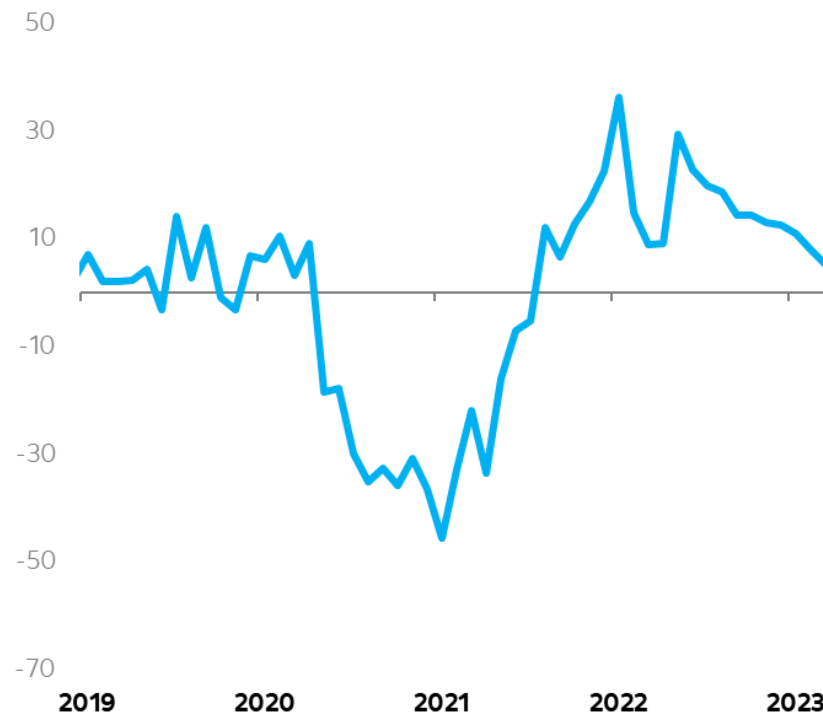
Flow of credit to consumers: Metropolitan region

(millions of UF, mov. quarter, Banking sector, up to March 2023)



Flow of credit to consumers: Metropolitan region

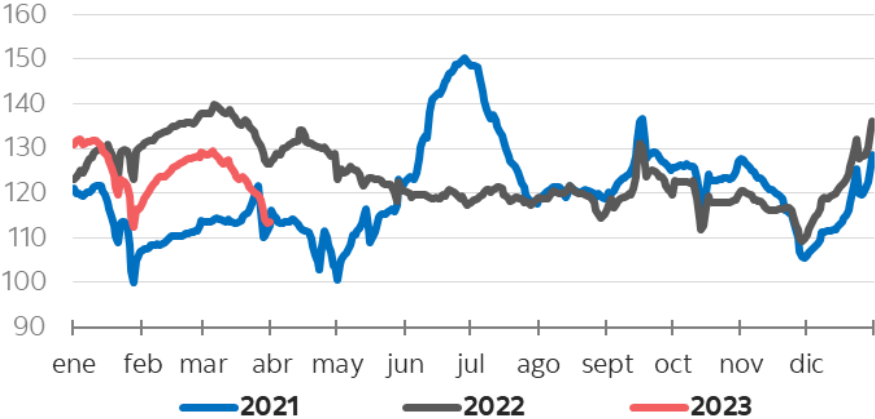
(%, real annual growth, Banking sector, up to March 2023)



Slowdown in demand for durable goods.

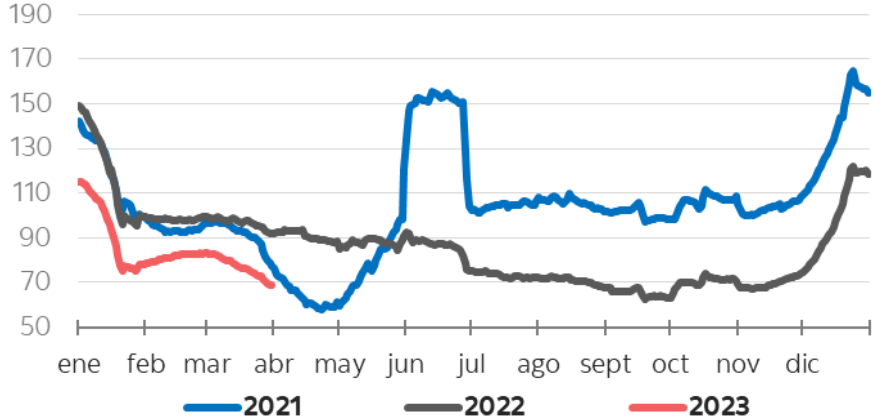
Supermarkets

(level*, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



Department stores

(level*, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



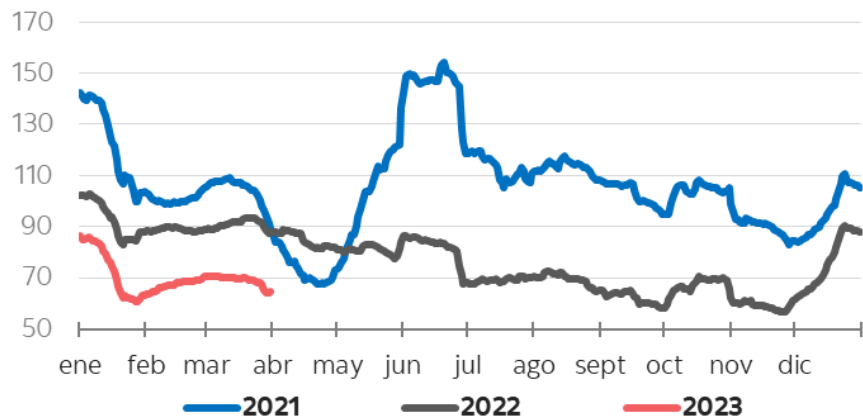
- Supermarket sales worsening.
- Department stores affected by weak demand.

* Data show purchases with debit cards. Inflation-adjusted index.
Source: Scotiabank Economics

Worsening in purchases of semi-durable goods.

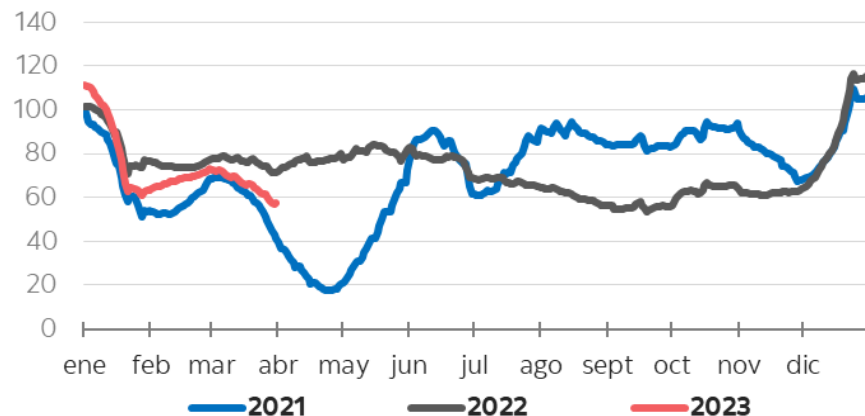
Electronic stores

(level*, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



Clothing and footwear

(level*, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



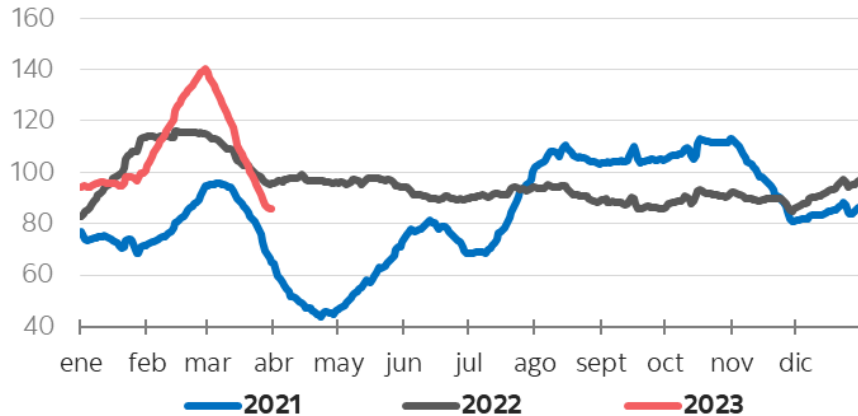
- **Slowdown in demand of durable goods (cars and electronics).**
- **Clothing and footwear purchases decreasing in the margin.**

* Data show purchases with debit cards. Inflation-adjusted index.
Source: Scotiabank Economics

Services show stabilization at low levels.

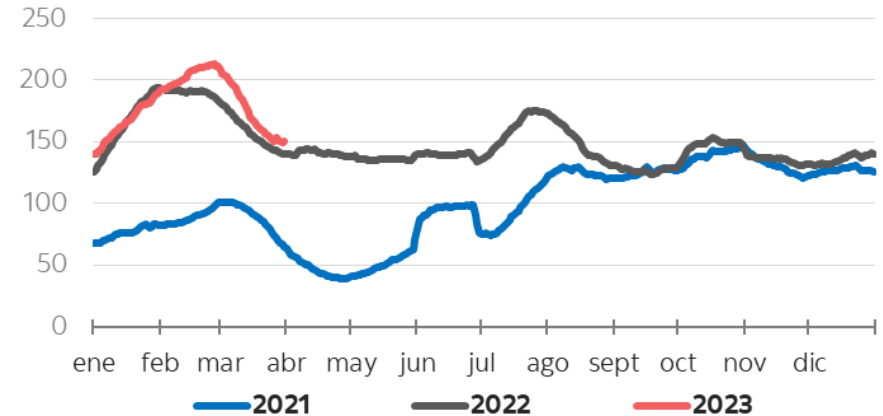
Restaurants

(level*, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



Tourism travel

(level*, index 1-Jan-2020=100, 28-day moving sum, up to Mar. 31)



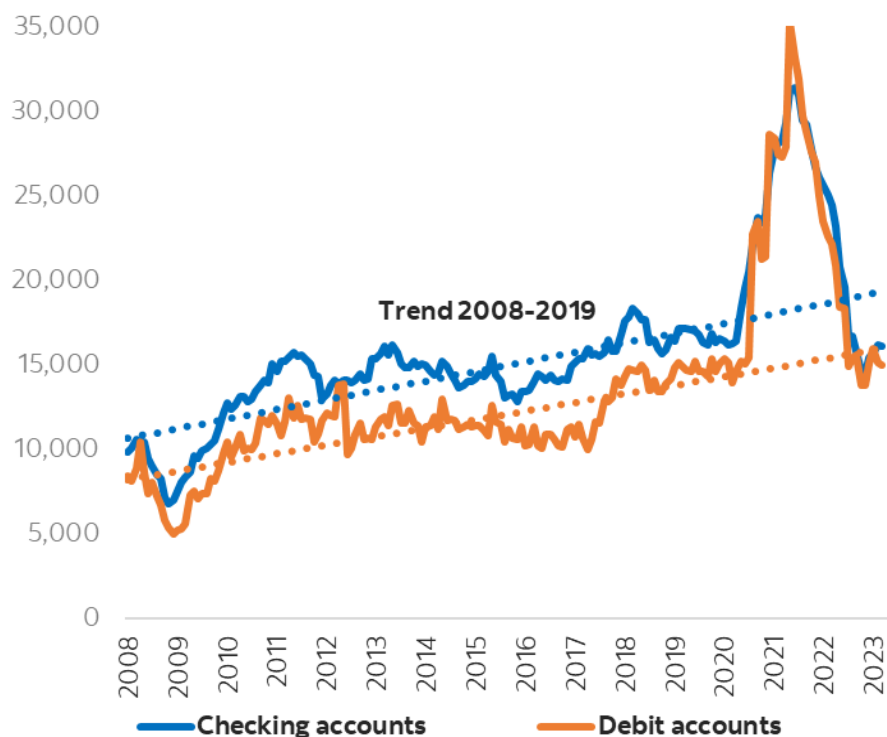
- Sudden lower dynamism in restaurants.
- Normalization in travel sector after a strong start to the year.

* Data show purchases with debit cards. Inflation-adjusted index.
Source: Scotiabank Economics

High short-term interest rates drained liquidity, encouraging greater household saving. Term deposits reaching fresh highs (less 90 days).

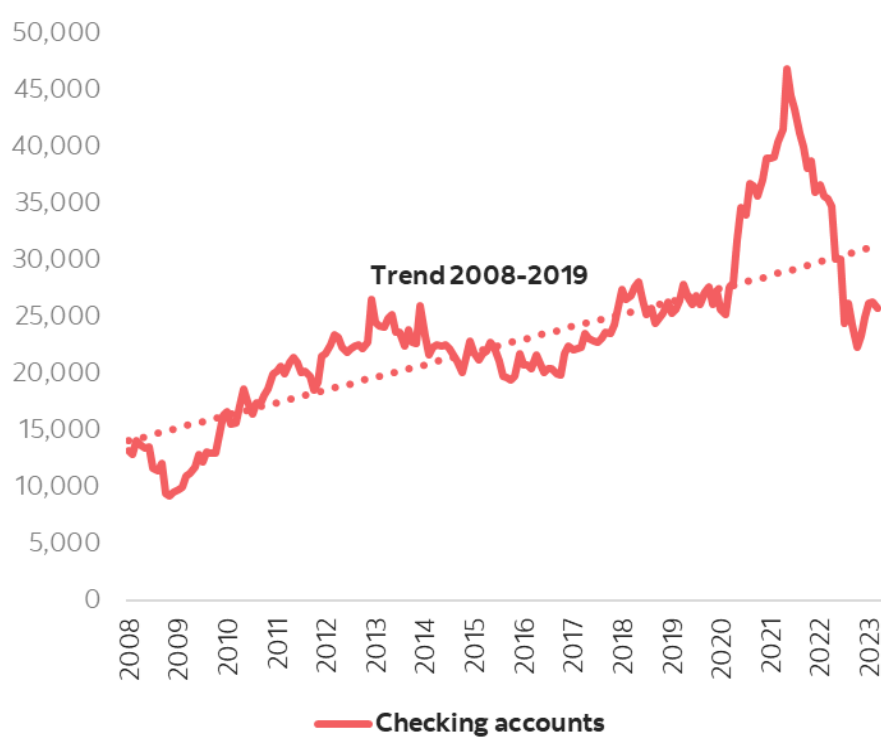
Liquidity in non-remunerated accounts: **people**

(millions of USD, natural persons, as of March 2023)



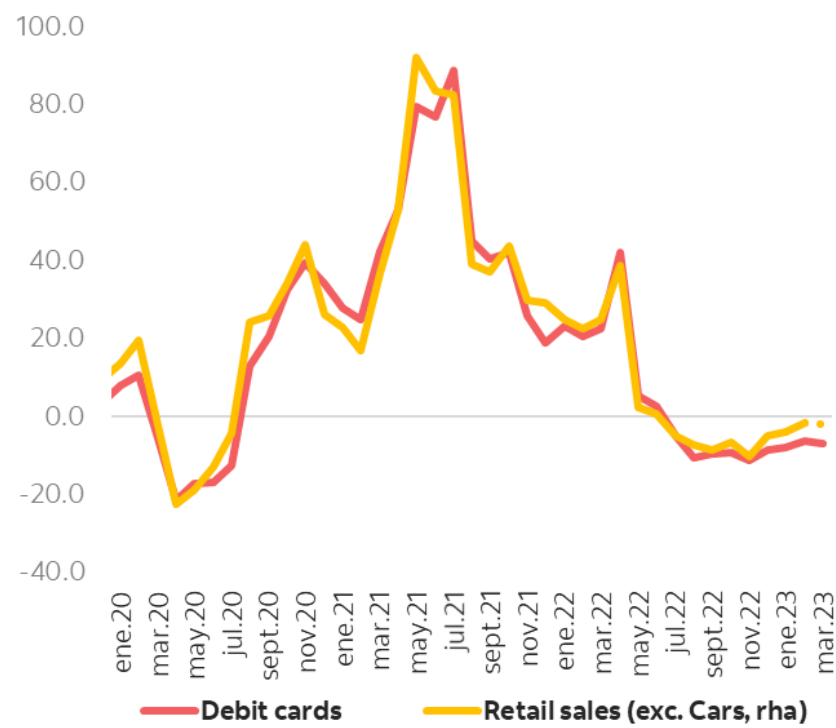
Liquidity in non-remunerated accounts: **firms**

(millions of USD, firms, as of March 2023)

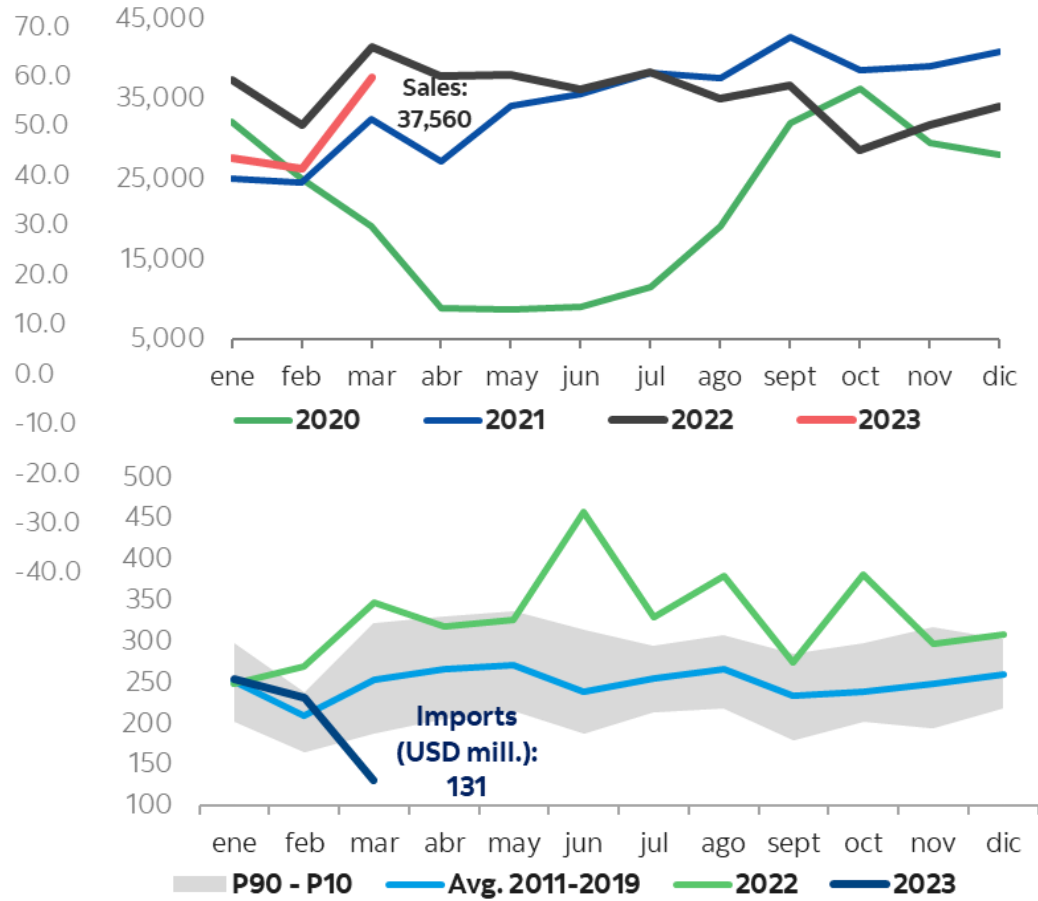


Retail sales fell 9.2% y/y in February. For March, we forecast a drop of 8% y/y.

Retail sales (INE) vs Transactional data* (percentage, annual growth)



New cars: sales & imports (Sales: units per month; Imports: USD millions per month)

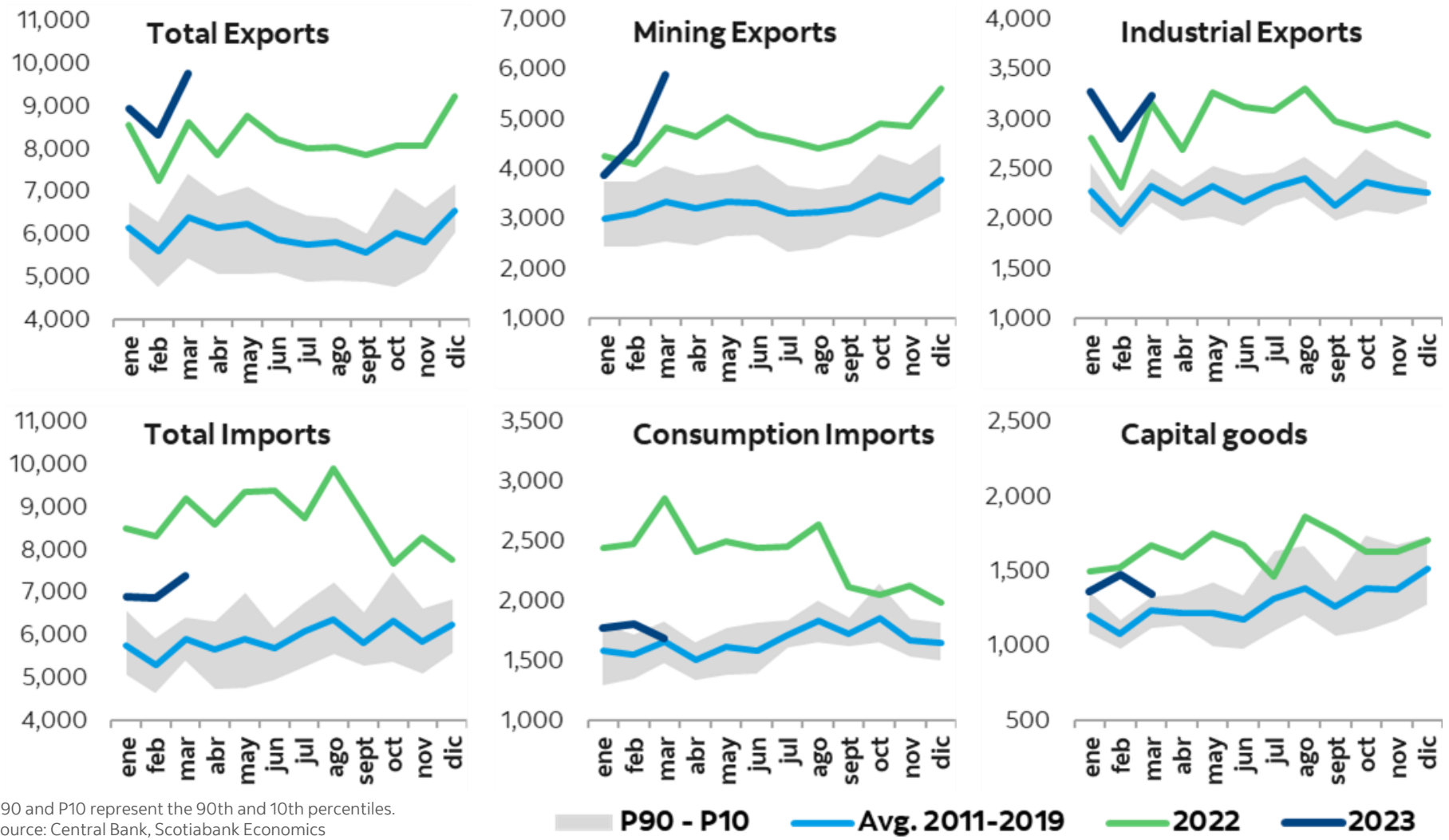


* This figure compares the INE's monthly retail sales indicator with our data on total purchases with debit cards reported in previous slides.
Source: National Bureau of Statistics (INE), ANAC, Central Bank, Scotiabank Economics

Resilient exports but imports are fading out. We forecast CA deficit close to 6.8% of GDP in Q1-23.

Monthly flow of Exports and Imports

(level, USD millions per month)

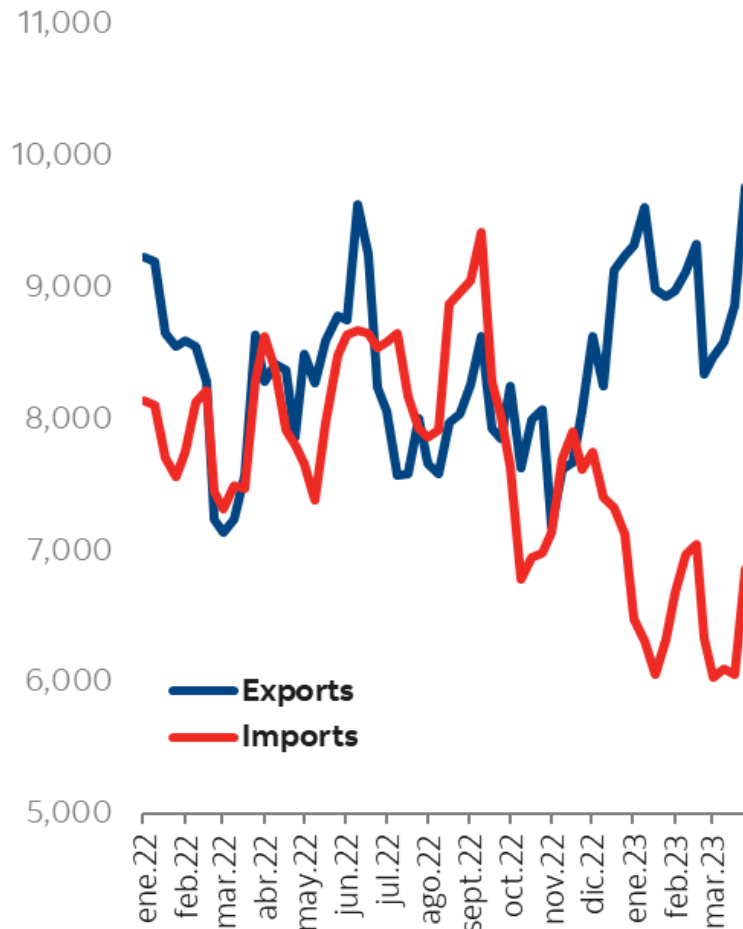


P90 and P10 represent the 90th and 10th percentiles.
 Source: Central Bank, Scotiabank Economics

Convergence of the current account towards a sustainable level sooner than later, as balance of goods is improving. Freight cost normalization is favoring a reduction in trade balance of services.

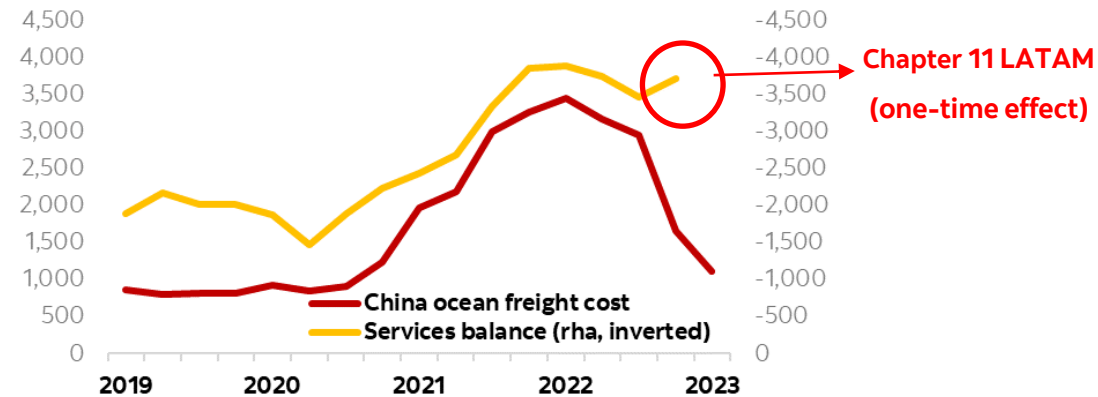
Exports and Imports of goods

(level, USD millions, 1-month accum., weekly data)



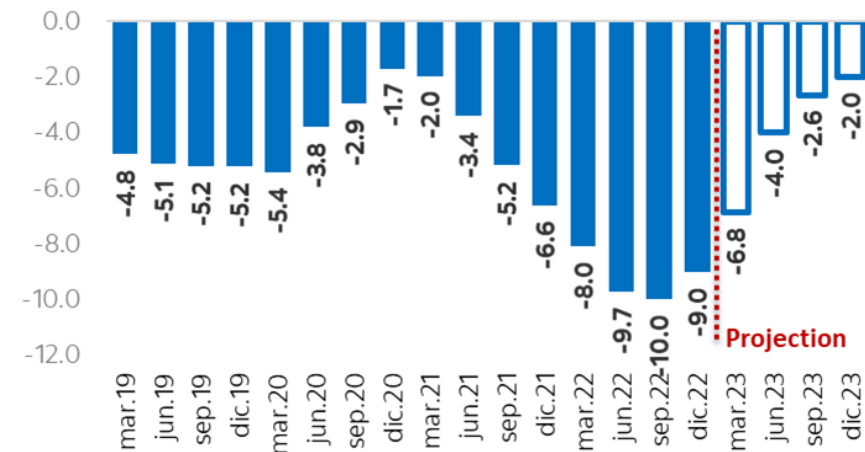
Freight cost and Balance of services

(USD million & index in USD)



Current Account deficit

(% of GDP, accum. last 12 months)

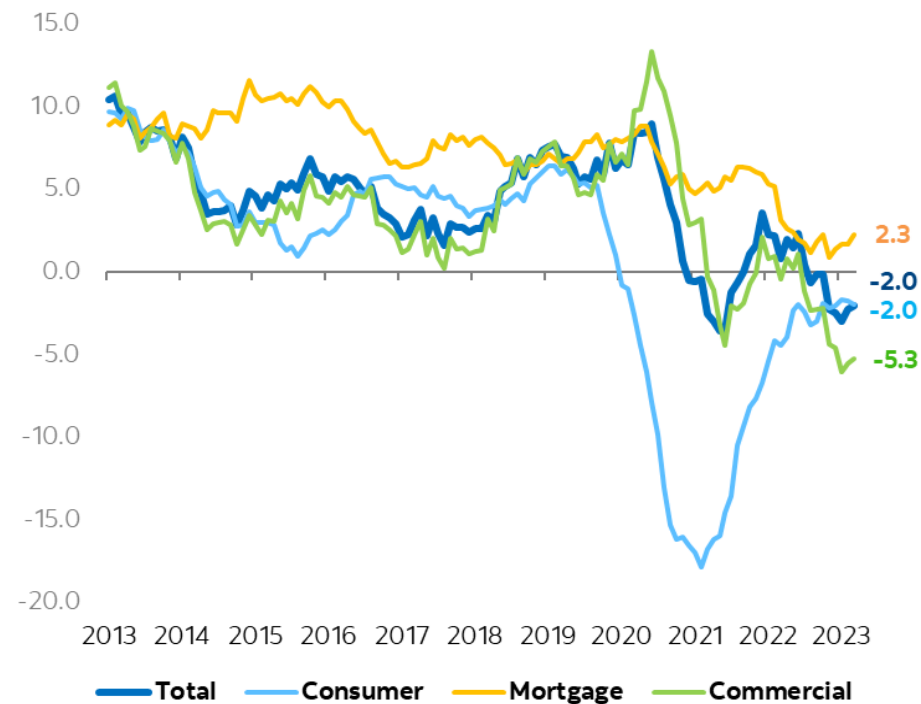


Source: Central Bank, Scotiabank Economics

Banking credit partially flat in March amid tight supply and weak demand. High interest rates and a sluggish labor market have prevented a counter-cyclical credit flow.

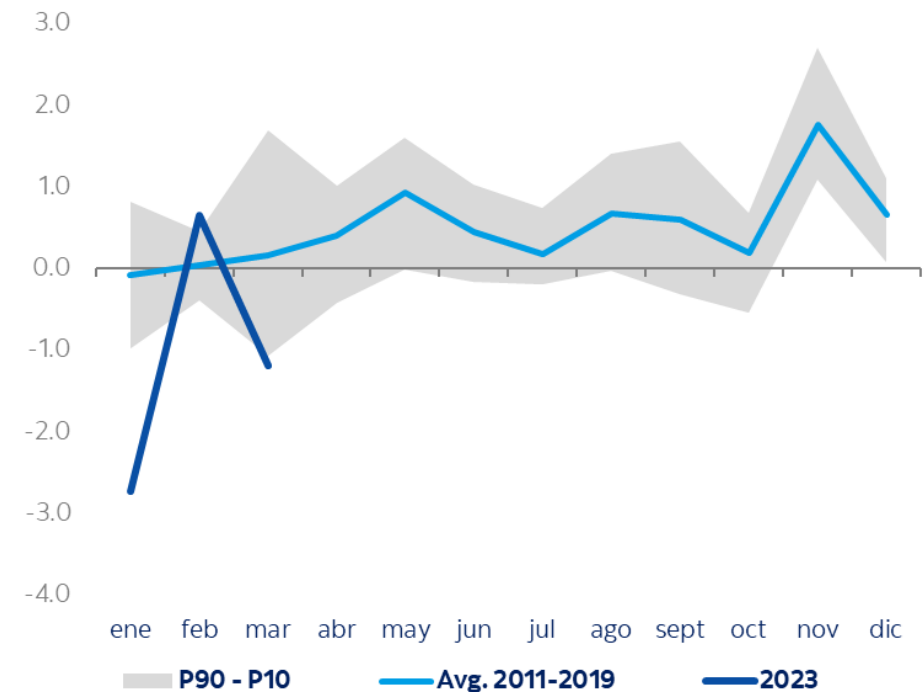
Loans by segment

(percentage, real annual growth)



Monthly dynamism of commercial loans

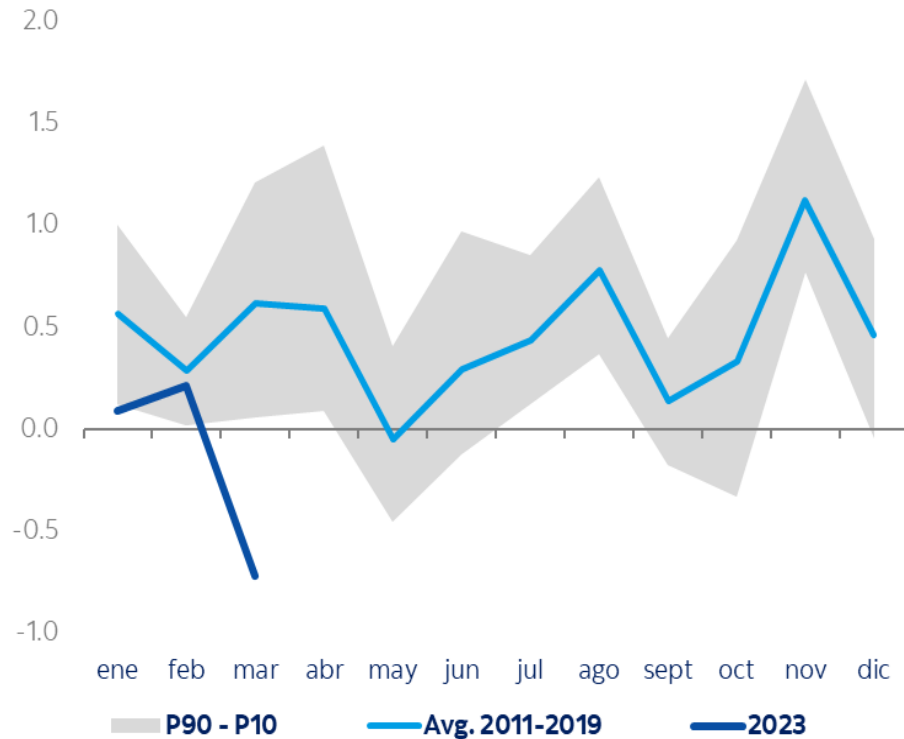
(percentage, real monthly growth)



Credit supply conditions remain restrictive. Consumer and mortgage lending fell sharply in March.

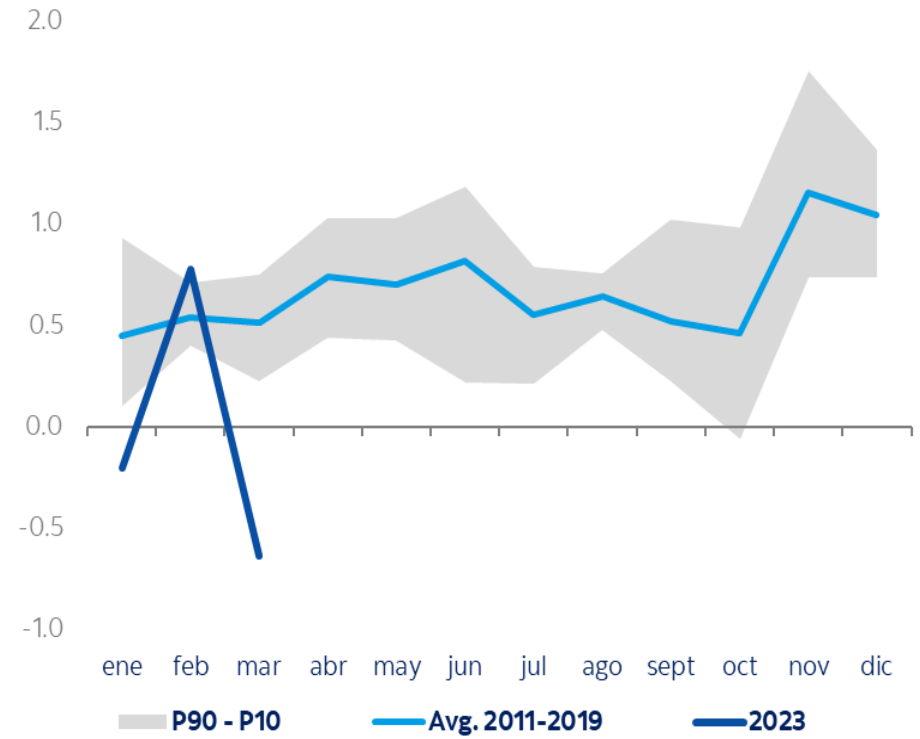
Monthly dynamism of consumer loans

(percentage, real monthly growth)



Monthly dynamism of mortgage loans

(percentage, real monthly growth)

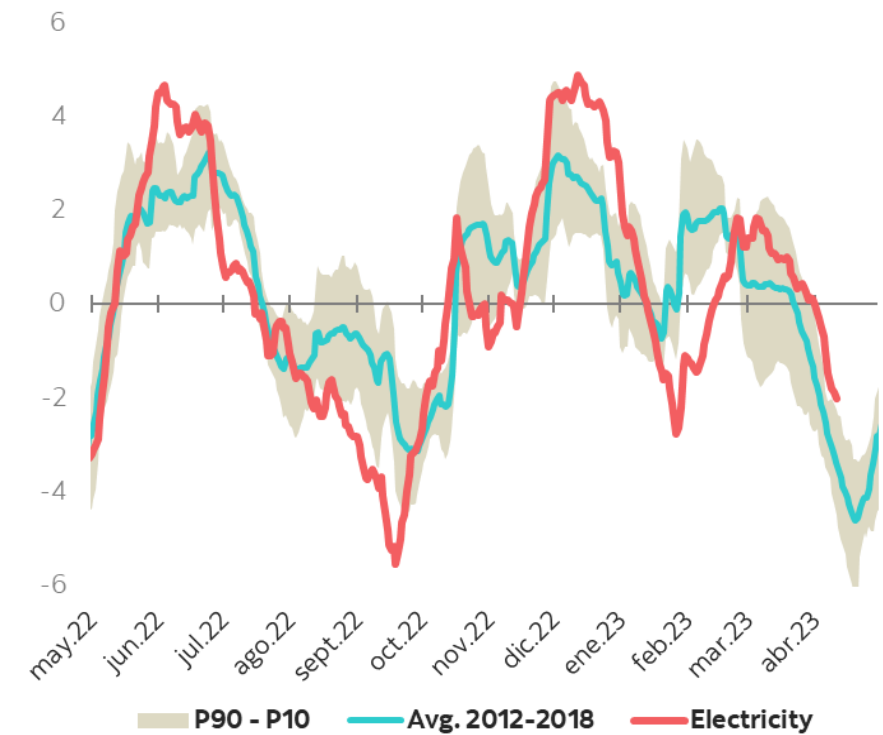


Source: Central Bank, Scotiabank Economics

Electricity demand confirms convergence to a sustainable level and low dynamism during last weeks.

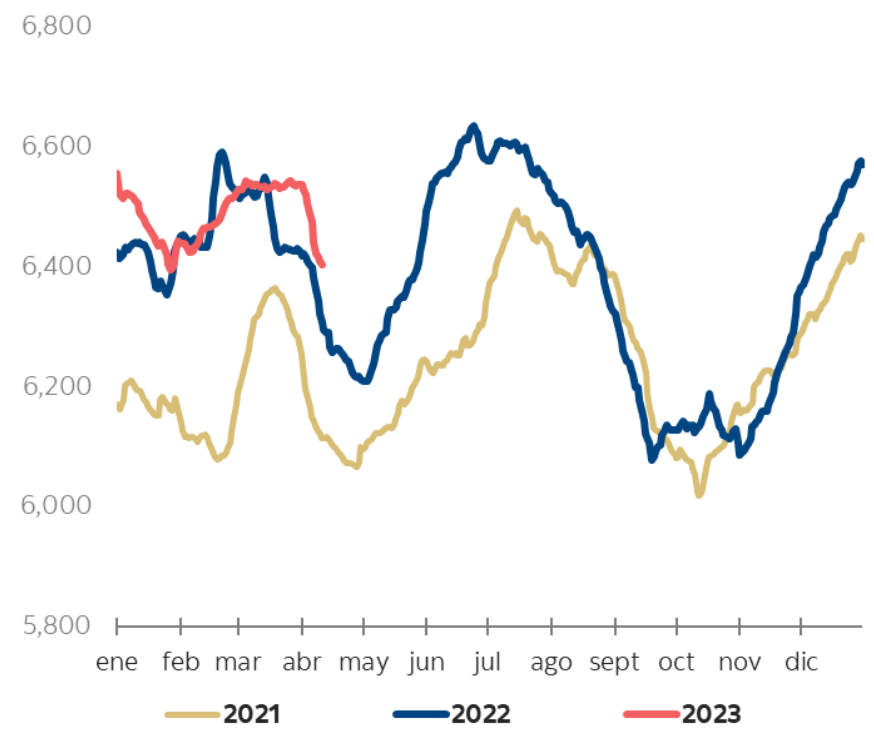
Monthly growth of electricity generation

(percentage, monthly growth, 28-day accum., up to April 11)



Level of electricity generation

(GWh, 28-day accum., up to April 11)

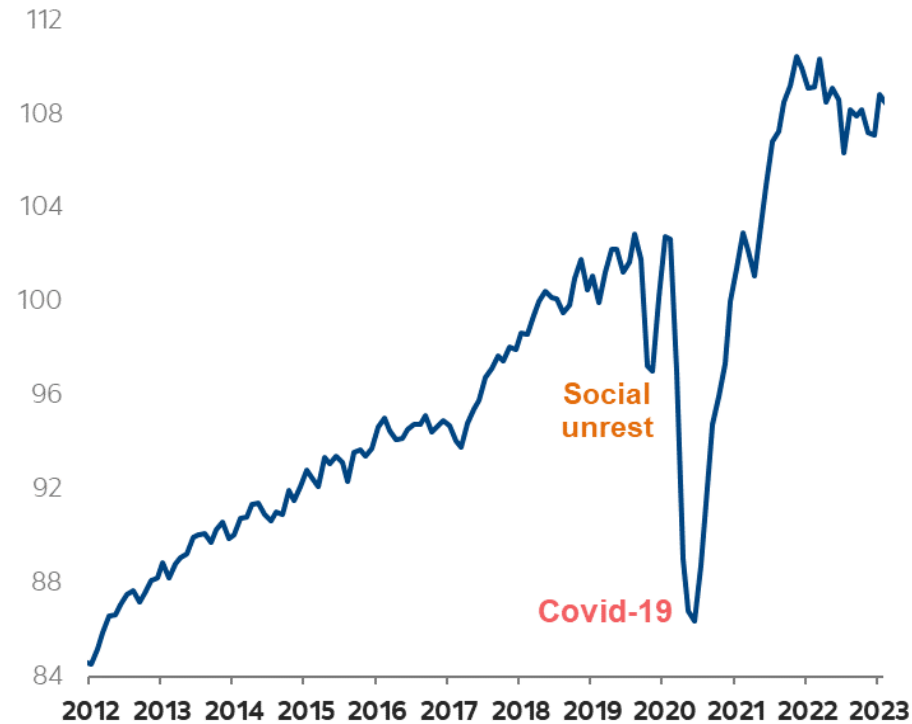


P90 and P10 represent the 90th and 10th percentile.
Source: Coordinador Eléctrico, Scotiabank Economics

March Imacec would have a contraction between 0.5 and 1.5% y/y with a monthly contraction (-0.4% m/m).

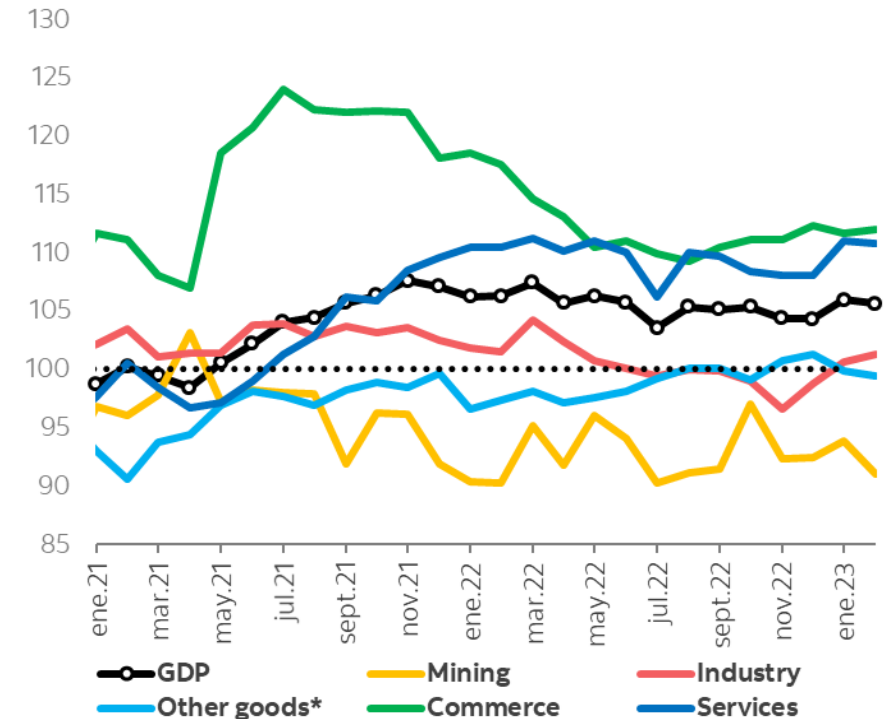
GDP level

(level, 2018=100, seasonally adjusted, monthly data)



GDP level by sector

(index, February 2020=100, monthly data)



Short run forecasts: growth of monthly GDP

Imacec (% y/y)

January-23

0.1%

February-23

-0.5%

March-23 (f)

-0.5 to -1.5%

* Includes Construction, Agro-forestry, Fishing and Utilities.
Source: Central Bank, Scotiabank Economics

CONTACTS

Jorge Selaive | Chief Economist

jorge.selaive@scotiabank.cl

Waldo Riveras

waldo.riveras@scotiabank.cl

Aníbal Alarcón Astorga

anibal.alarcon@scotiabank.cl

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