

Tracking Covid-19: high frequency indicators



Economics & Financial Research

Update January 12, 2021



Key messages

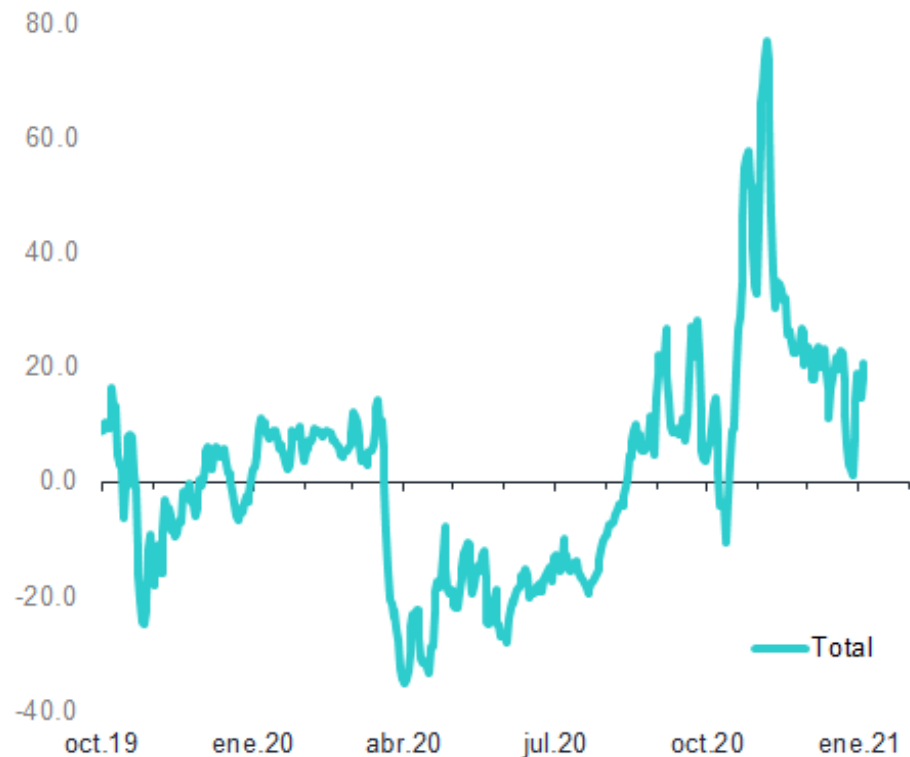
This presentation is part of a periodically series intended to draw insights about the state of the Chilean economy from the flow of Scotiabank's retail transactions data (purchases by Scotiabank clients) and other sources of information. The transactions can serve as a measure of economy-wide retail spending, and of the extent to which households are resuming pre-COVID levels of activity. Transactional data is also shown at a disaggregated level: supermarkets, department stores, fuels, travel, restaurants, among others.

- **We anticipate that Retail Sales experienced a new acceleration in December (+18% a/a), due to the second round of pension fund withdrawal before Christmas.** There is still heterogeneity explained by the reopening process: department stores and supermarkets are the main receivers, but purchases in department stores are slowing down. The lower use of credit cards (relative to debit cards) reveals that the demand is mainly based on the greater liquidity provided by the withdrawals, which according to our estimates should last until March. We rule out a third round of withdrawal of Pension Funds. Instead, we see a new "government's package" justified by an adjustment in the space to increase government expenditure through a new long-run (higher) copper price.
- **Total loans begins to contract (in real annual terms) led by slowdown in commercial loans.** Credit flowed counter-cyclically to firms, but it shows a worrying slowdown. We estimate "Fogape-Covid" loans have contributed around 9.5 percentage points (pp) to the annual growth of commercial loans in December. **The Government sent to Congress the Fogape 2 bill that makes the interest rate more flexible and allows to refinance debts.**
- **Using transactional data that has successfully allowed us to anticipate Retail Sales, we forecast an increase in Retail Sales of 18% y/y in December.** Furthermore, new car sales recovered pre-Covid levels, but doubts remain about their medium-term sustainability.
- **We estimate that monthly GDP (proxy: Imacec) had a contraction between -3% to -2% y/y in December.** For 2021, we still see downside risks -especially in private investment- associated to a persistent domestic political uncertainty and a deep weakness in the formal labor market.

Strong injections of liquidity from Pension Funds and middle-class bonus continue to support private consumption. The level of purchases remains at highs after the second round of withdrawal of pension funds.

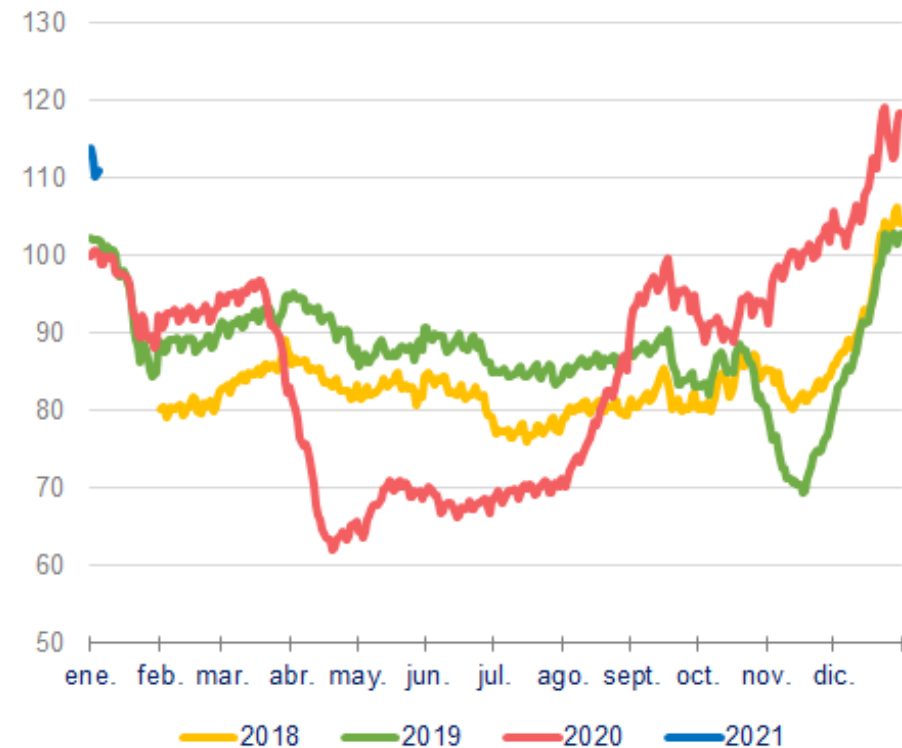
Annual growth of purchases with credit & debit cards: supported by pension funds*

(percentage, annual growth, 7-day moving average, up to Jan. 4)



Level of purchases (debit & credit) remain at highs*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)

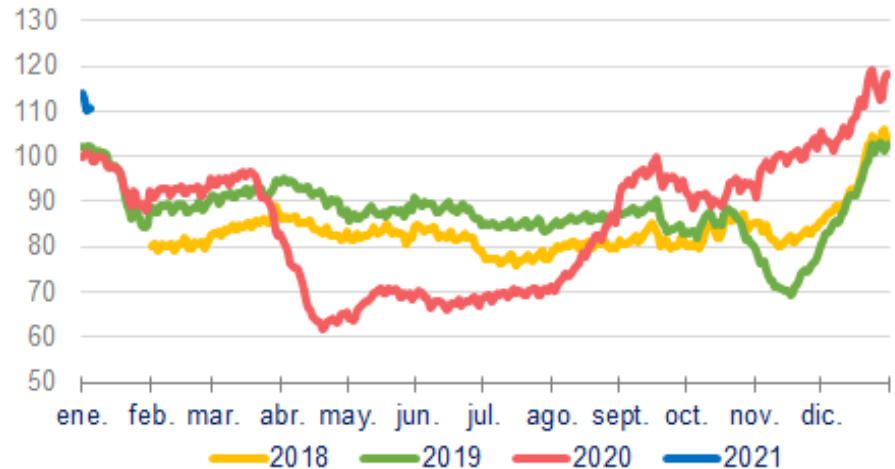


* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index. Source: Scotiabank Economics

Supermarkets and Retailers are the big winners

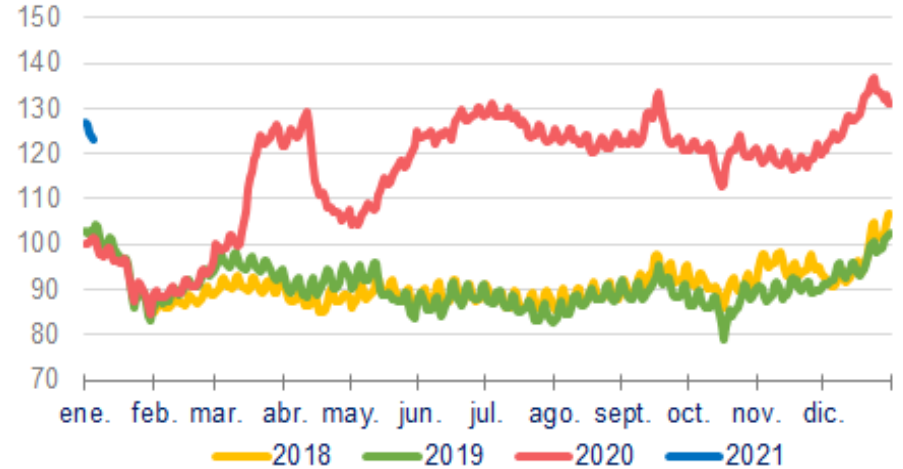
Total purchases*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



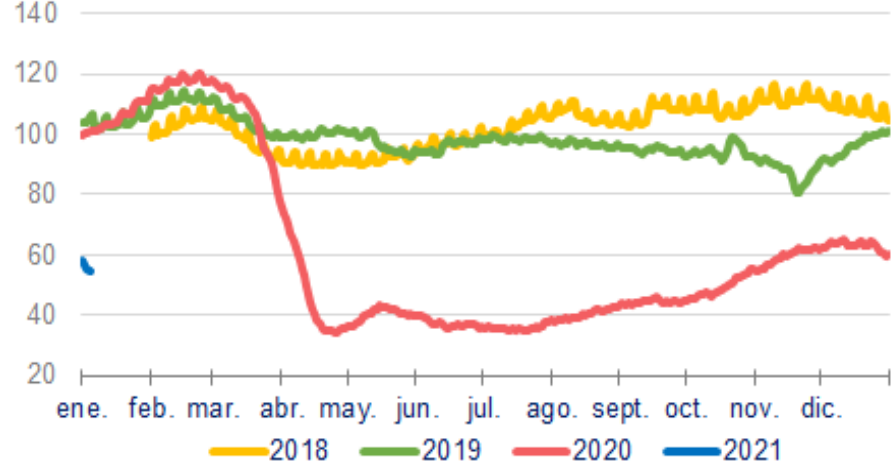
Supermarkets*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



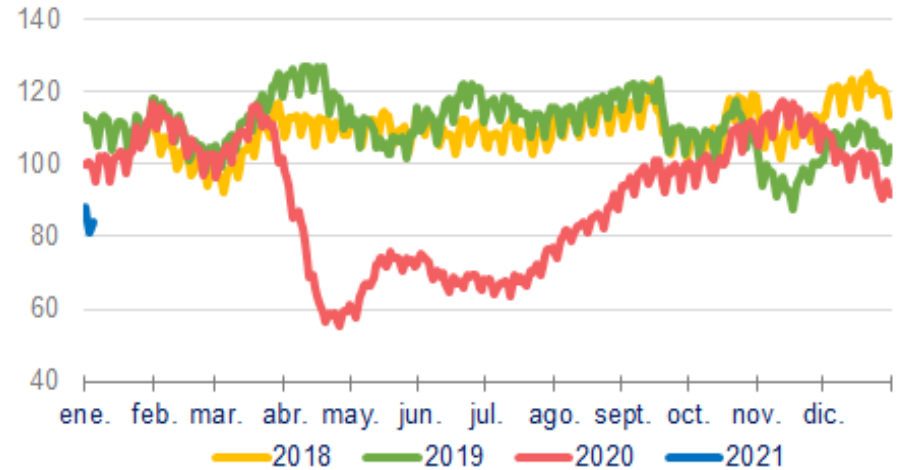
Fuels*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



Drugstores*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)

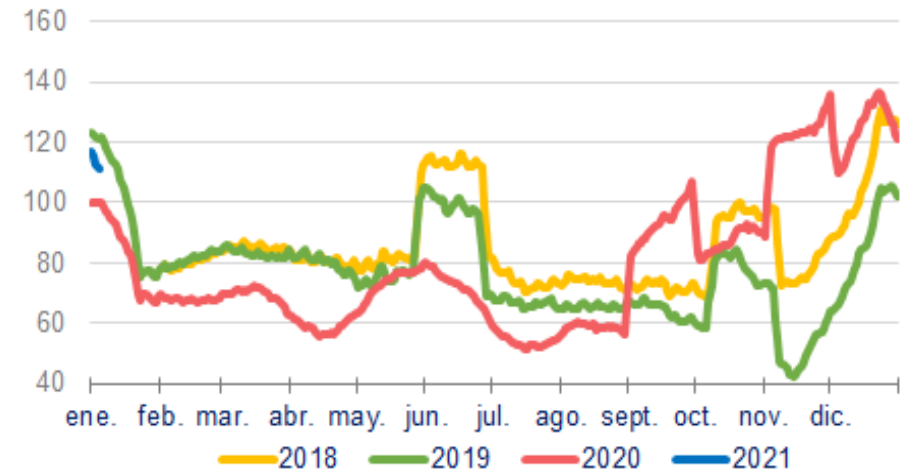


* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index. Source: Scotiabank Economics

Less dynamism in Department stores at the beginning of 2021

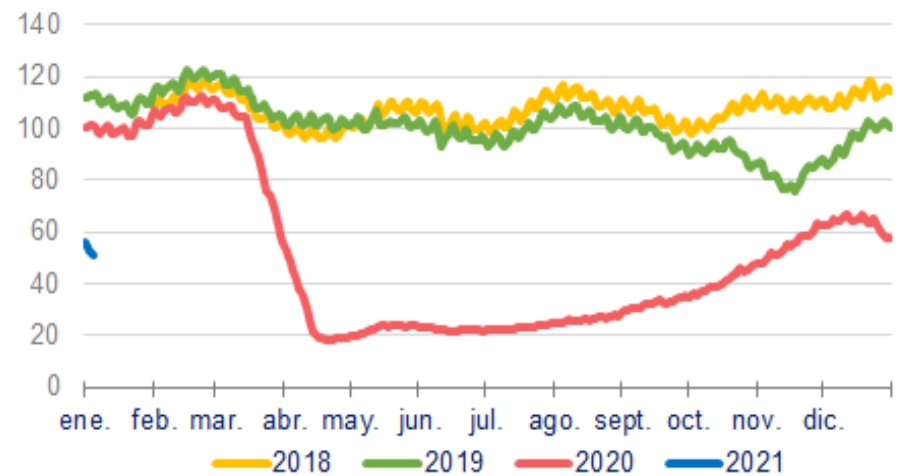
Department stores*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



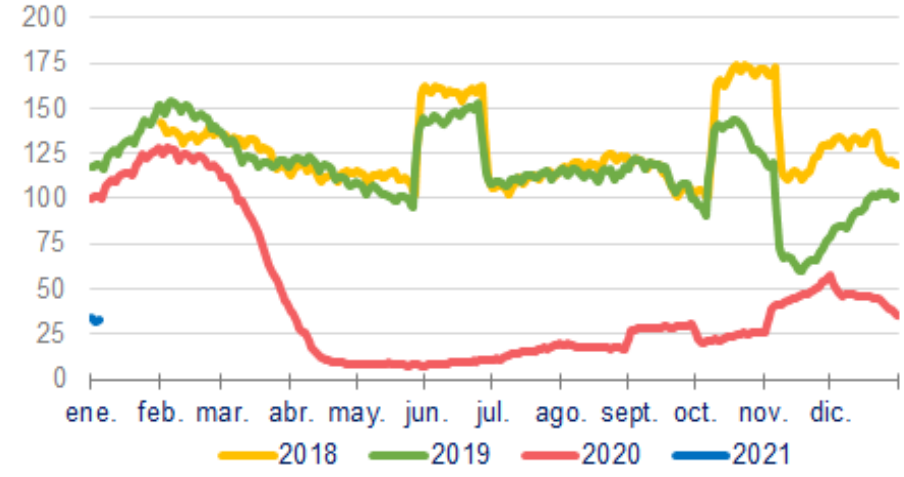
Restaurants*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



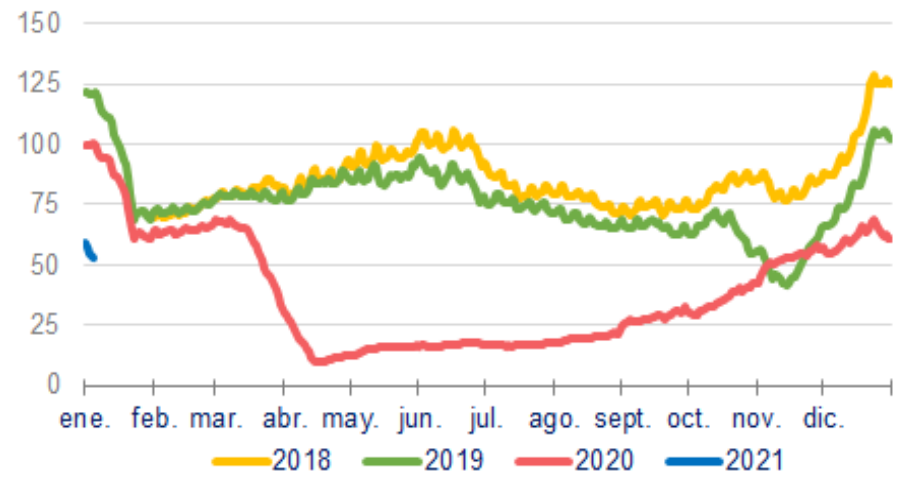
Tourism travel*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



Clothing and footwear*

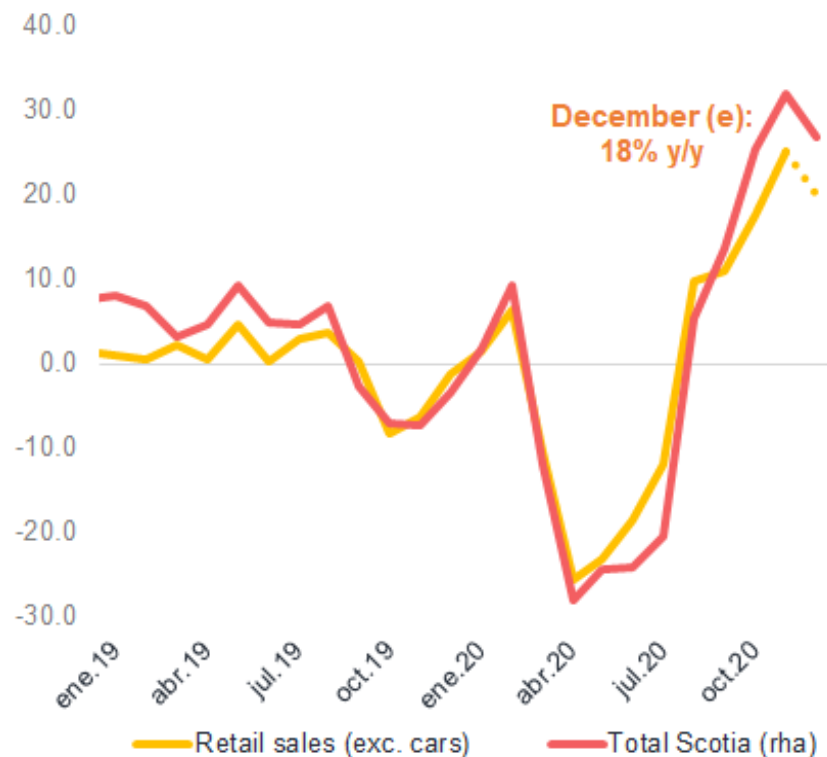
(level, index 1-Jan-2020=100, 30-day moving sum, up to Jan. 4)



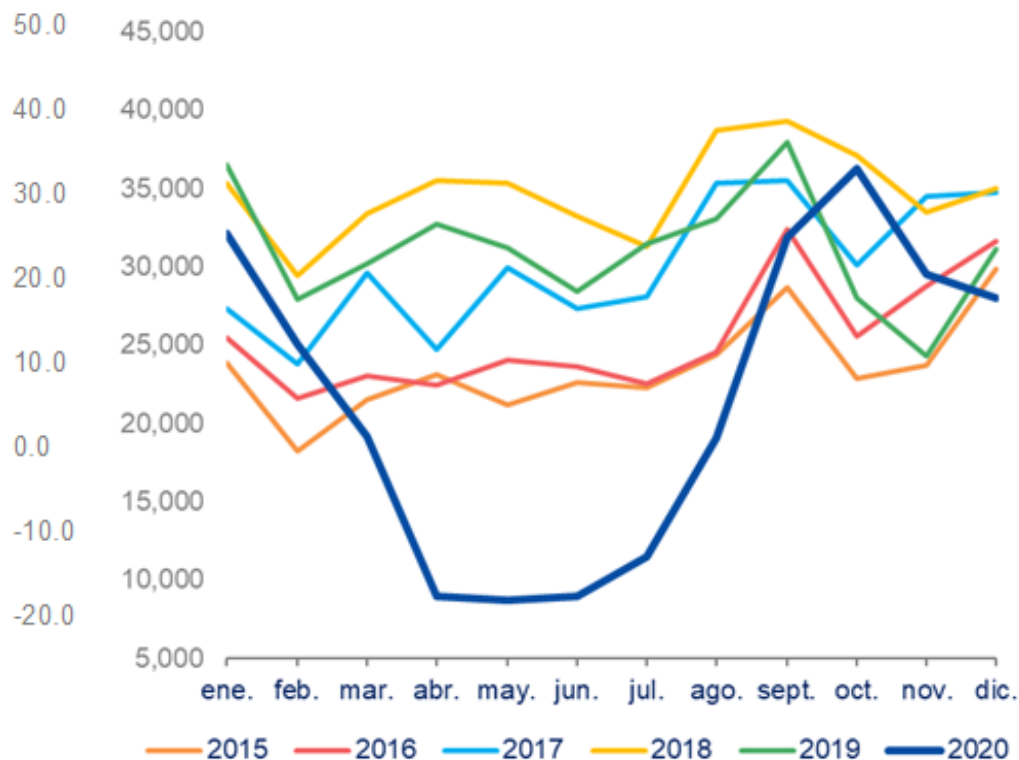
* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index. Source: Scotiabank Economics

Retail sales: we forecast +18% y/y in December, due to ample liquidity in households' pockets. Car sales recovery continues (27,962; -10.1% y/y).

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



New car sales
(units per month)

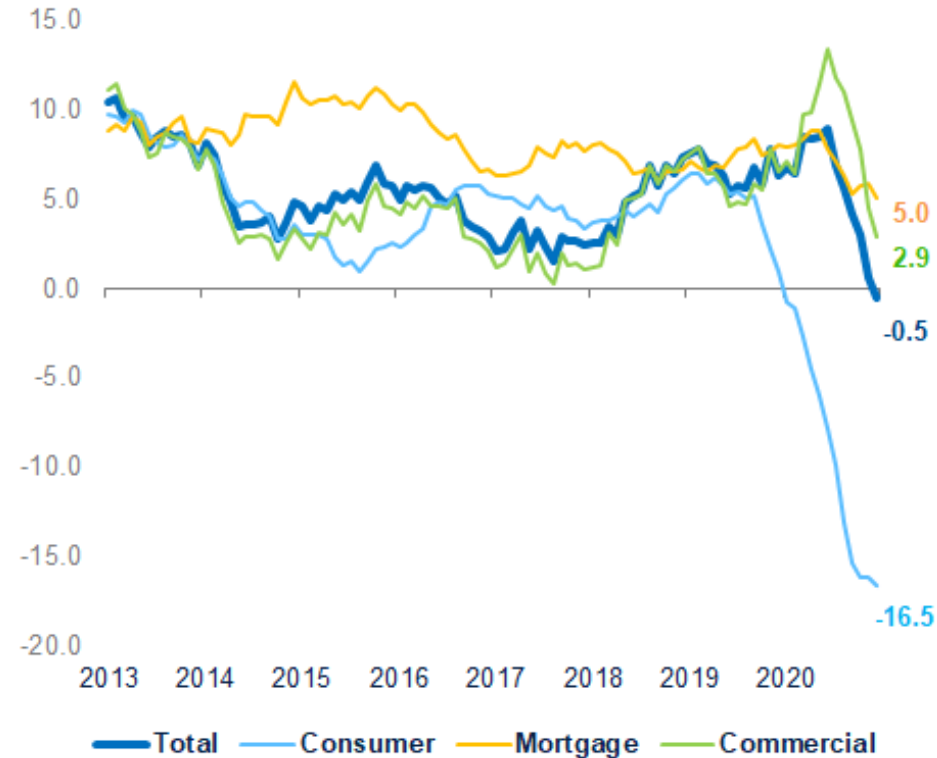


** This figure compares the INE's monthly retail sales indicator with our data on total purchases with credit & debit cards reported in previous slides.
Source: National Bureau of Statistics (INE), Scotiabank Economics

Total loans begins to contract (in real annual terms) led by slowdown in commercial loans. Credit flowed counter-cyclically to firms for much of 2020, but at the end of December, the slowdown in commercial loans continues, and the decline in consumer loans deepens. Mortgage loans stabilize. Mortgage loans stabilize.

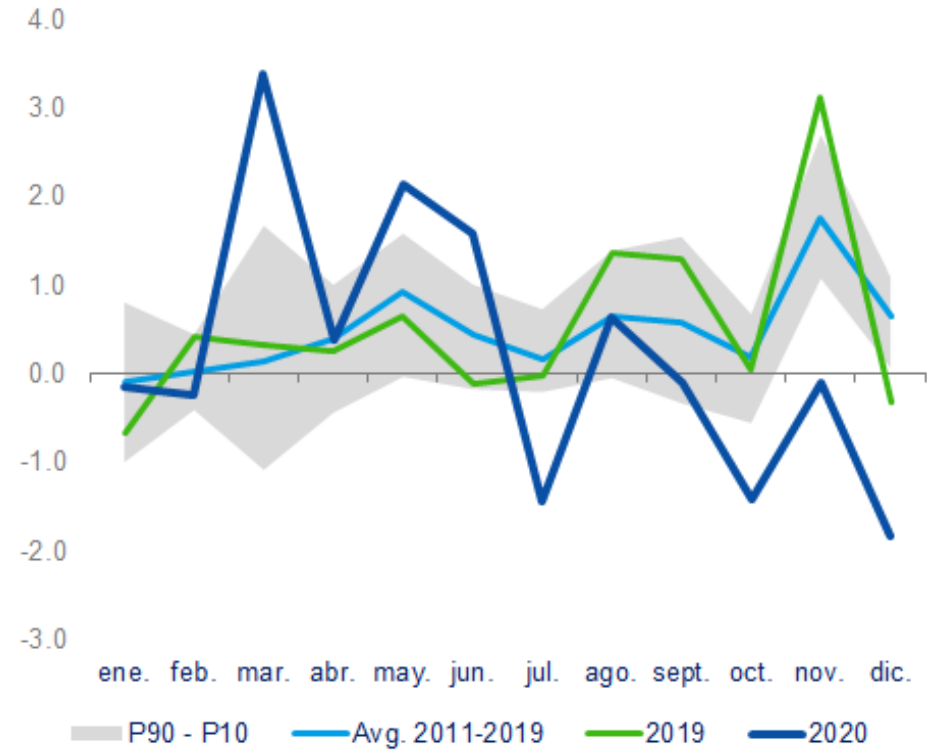
Loans by segment

(percentage, real annual growth)



Monthly dynamism of commercial loans

(percentage, real monthly growth)

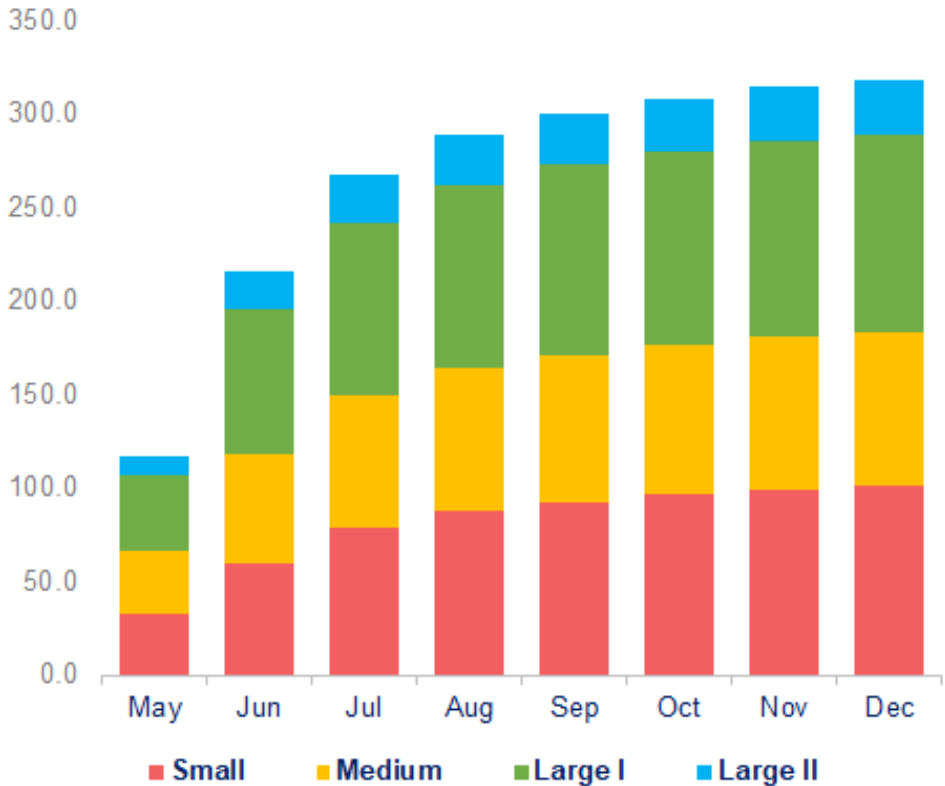


Source: Central Bank, Scotiabank Economics

State guaranteed Covid-19 credits (FOGAPE)

Amount of credits by firm size

(millions of UF, up to December 30)



FOGAPE loans	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
% of total commercial loans	3.7%	6.9%	8.5%	9.0%	9.3%	9.5%	9.4%	9.5%

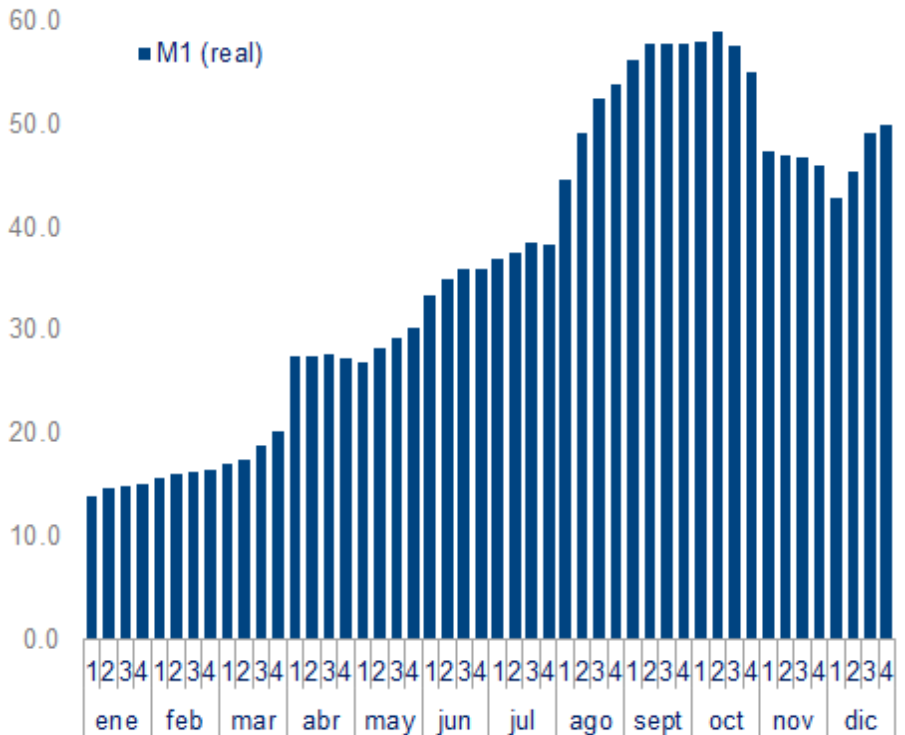
[See the complete report](#)

Source: Ministry of Finance, CMF, Scotiabank Economics

Liquidity picks up again after the second round of pension fund withdrawal and its seasonal pattern

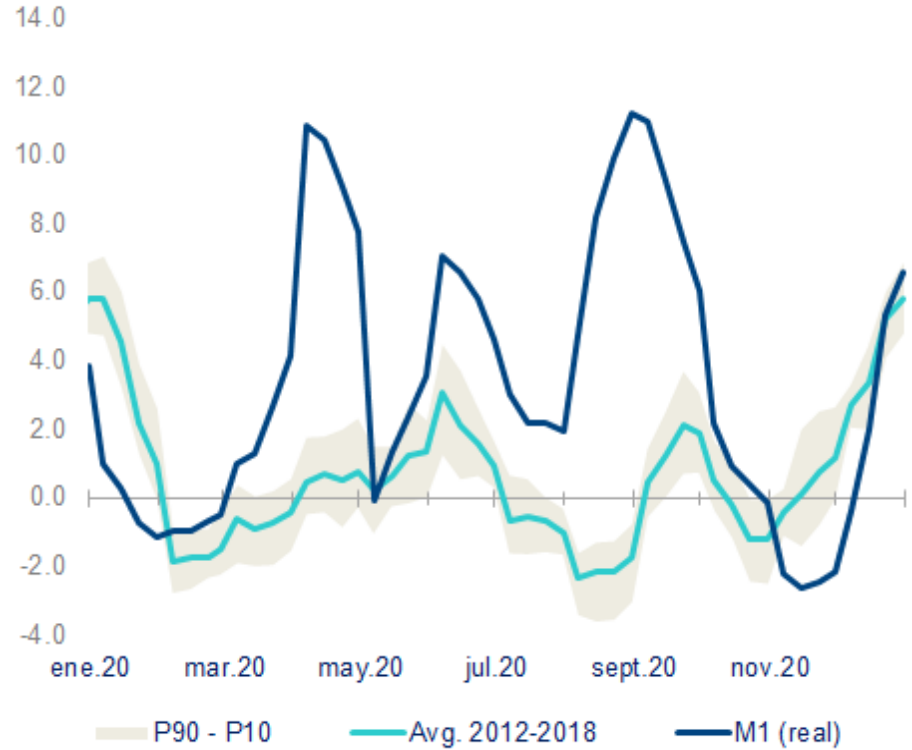
Money aggregate (M1)

(percentage, real annual growth, weekly data)



Monthly dynamism of M1

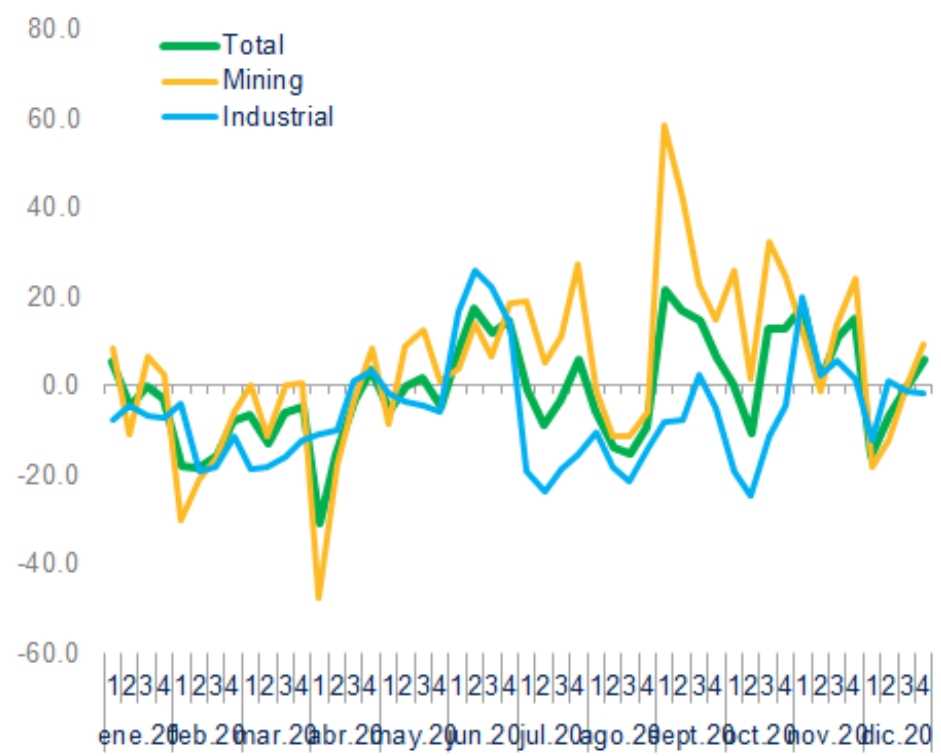
(percentage, real monthly growth, weekly data)



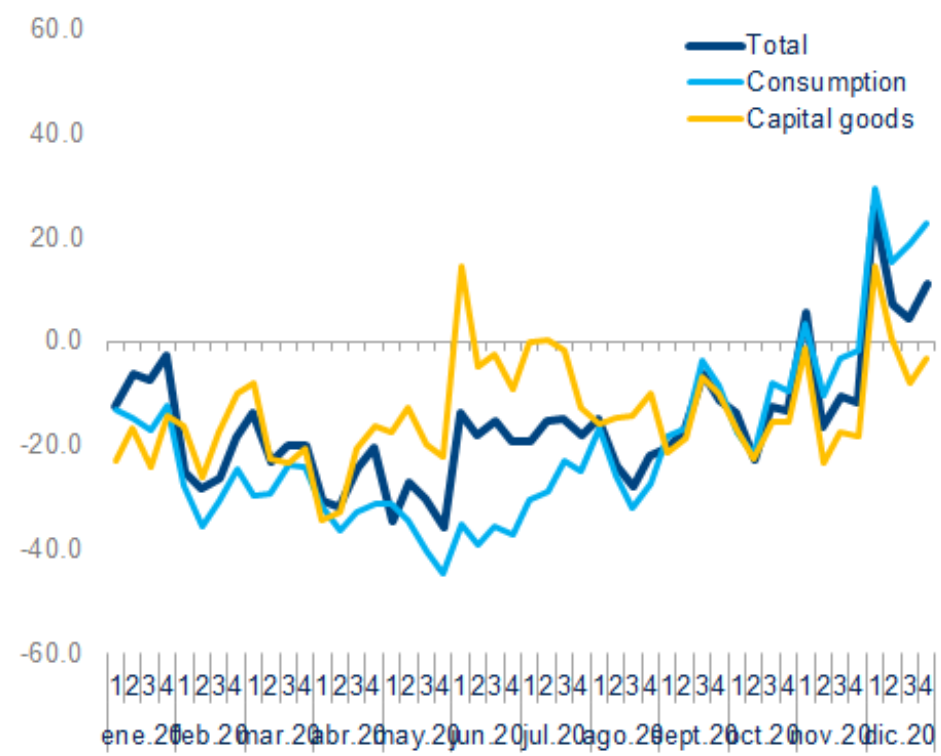
Source: Central Bank, Scotiabank Economics

Some green shoots in exports and imports – Capital goods imports are crucial to foster a more homogeneous recovery

Exports by the end of December: +6.1% y/y
 (percentage, annual growth, weekly data, acumm. in the month)



Imports by the end of December: +11% y/y
 (percentage, annual growth, weekly data, acumm. in the month)

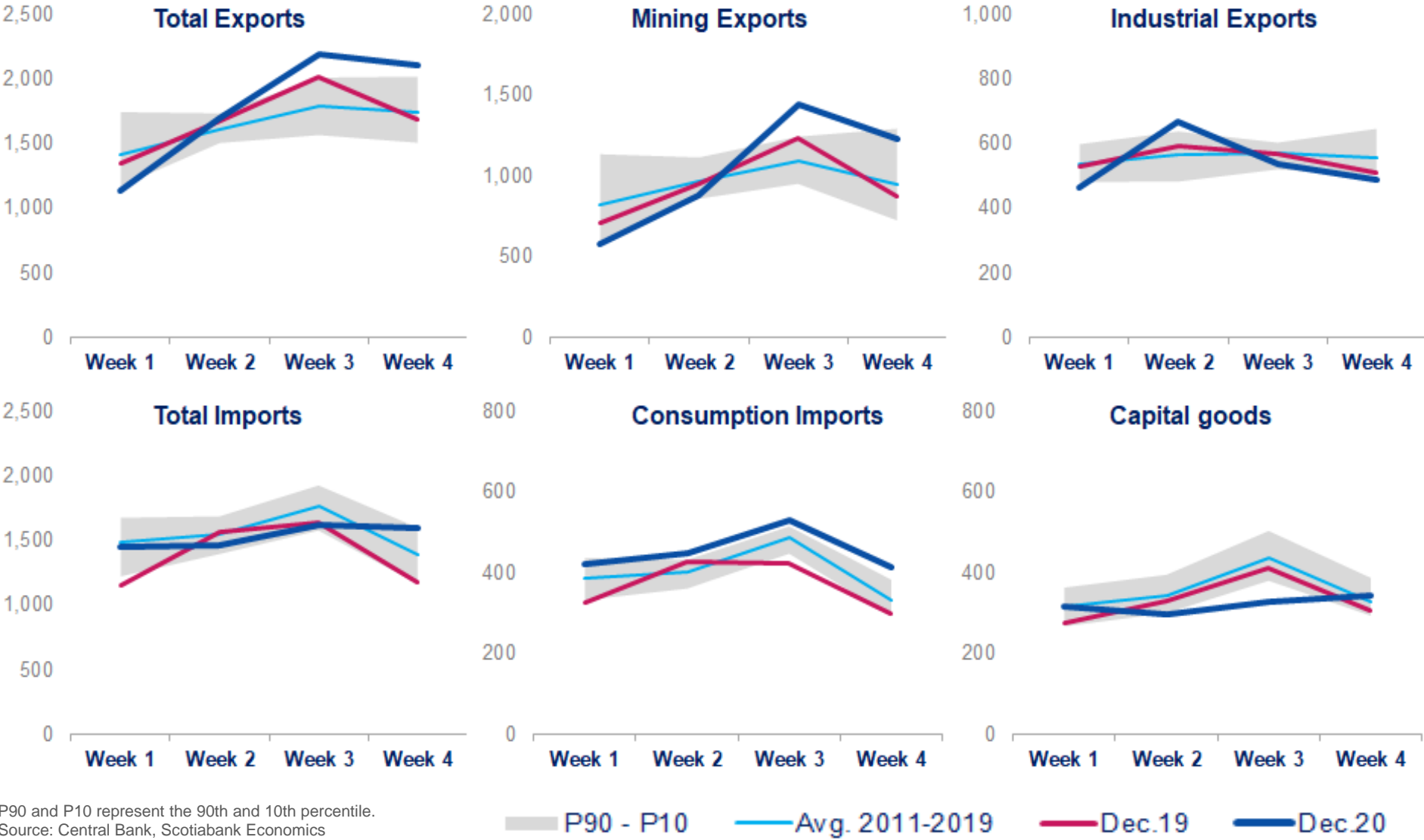


Source: Central Bank, Scotiabank Economics

Clear signs of recovery in exports and imports (short term only?)

Weekly flow of Exports and Imports in December

(level, USD millions per week)



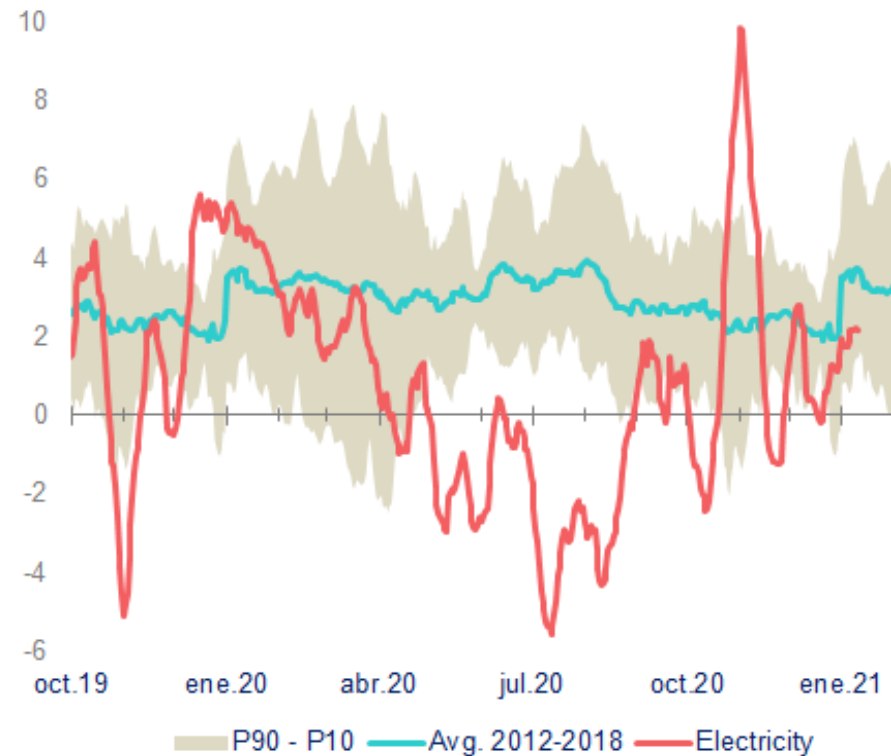
P90 and P10 represent the 90th and 10th percentile.
Source: Central Bank, Scotiabank Economics

P90 - P10
 Avg. 2011-2019
 Dec. 19
 Dec. 20

Higher demand for electricity reveals progress in the reopening of the economy – around 90% of economy has resumed activities.

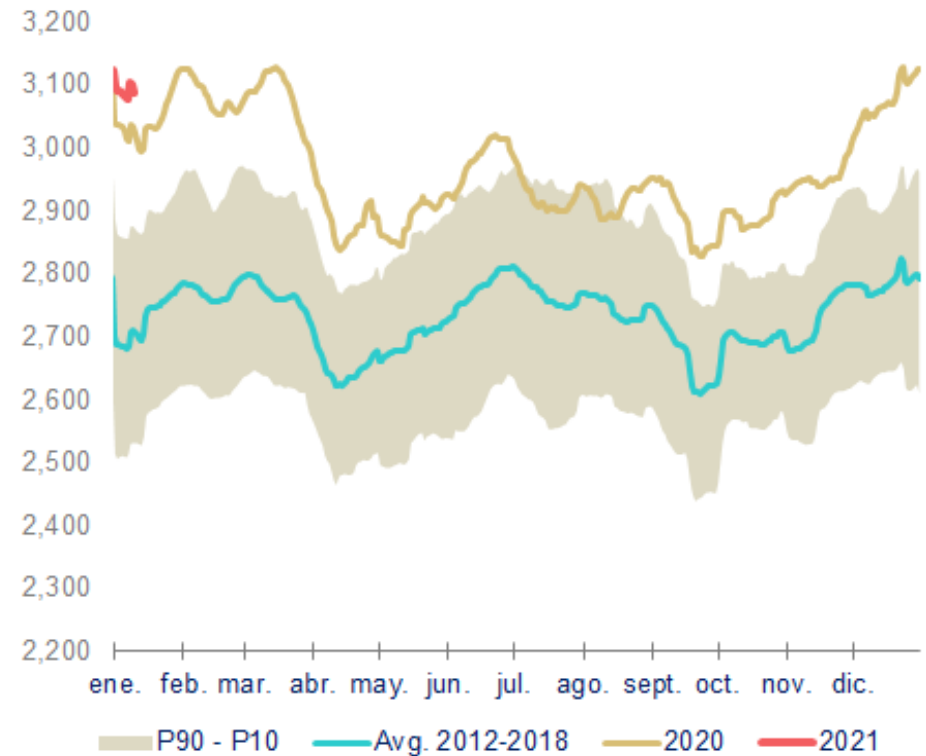
Annual growth of electricity generation

(percentage, annual growth, 14-day accum., up to January 10)



Level of electricity generation

(percentage, annual growth, 14-day accum., up to January 10)

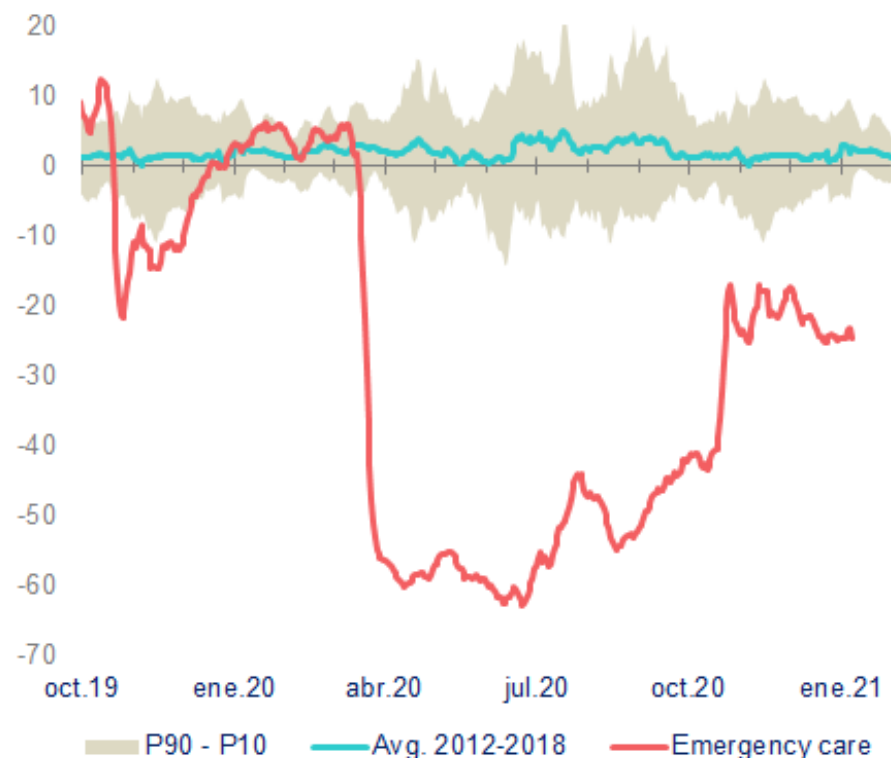


P90 and P10 represent the 90th and 10th percentile.
Source: *Coordinador Eléctrico*, Scotiabank Economics

Emergency care –not related to COVID– is recovering very slowly

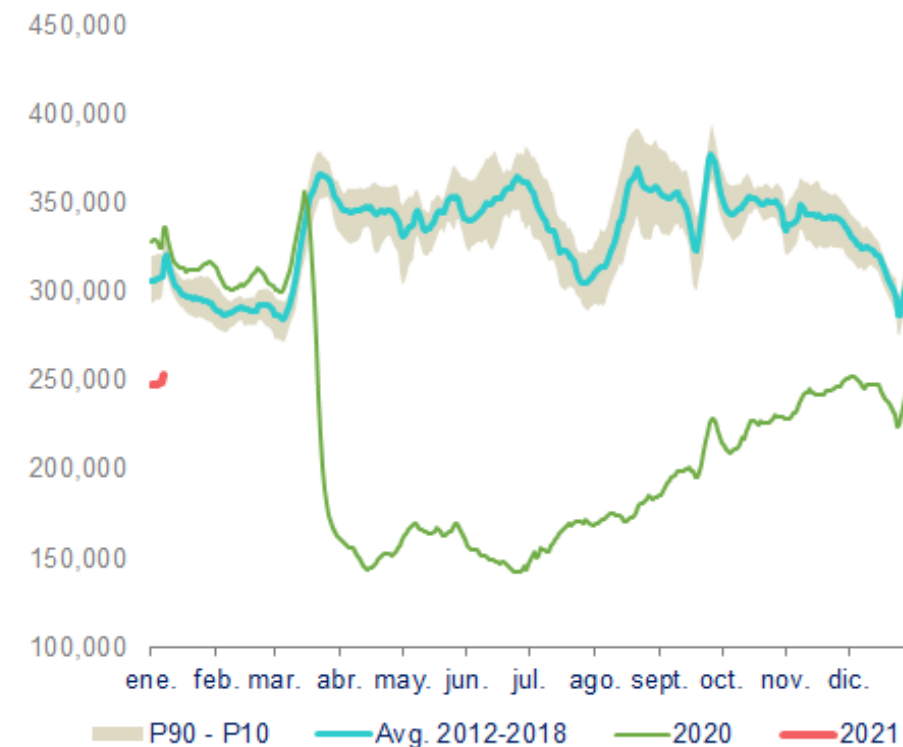
Annual growth in Emergency Care

(percentage, annual growth, 7-day mov. sum, up to January 7)



Number of Emergency Care attentions

(number of daily attentions, 7-day mov. sum, up to January 7)

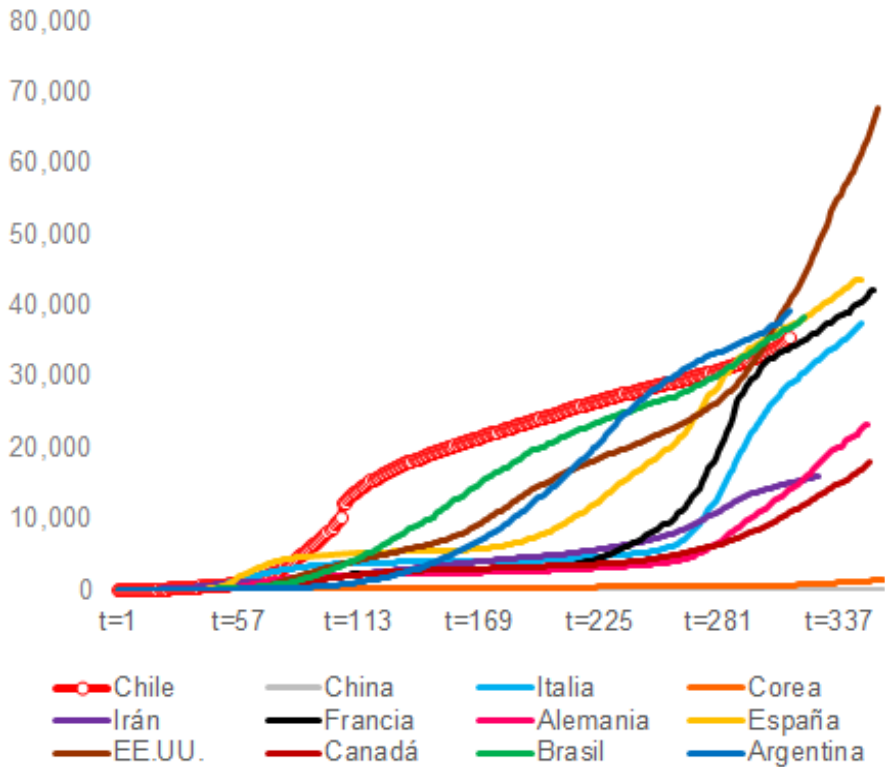


Source: Ministerio de Salud (DEIS), Scotiabank Economics

Covid-19 outbreak all over the world

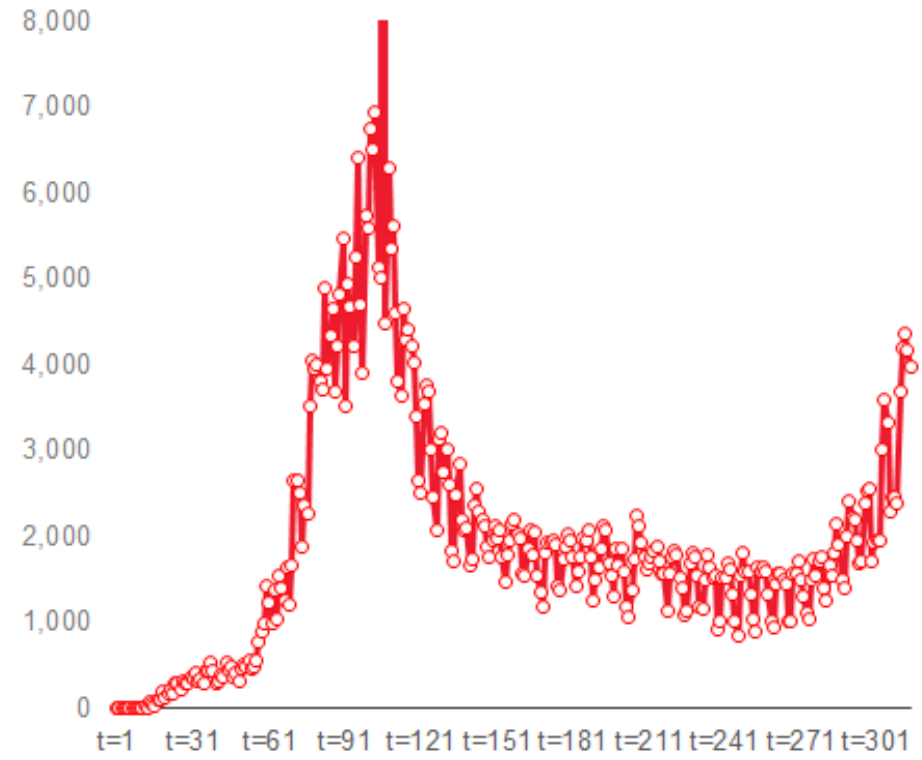
COVID-19, selected countries

(cases/population x 1.000.000, t=1 first case, up to January 10)



New cases COVID-19 in Chile

(number of new cases per day, t=1 first case, up to January 10)

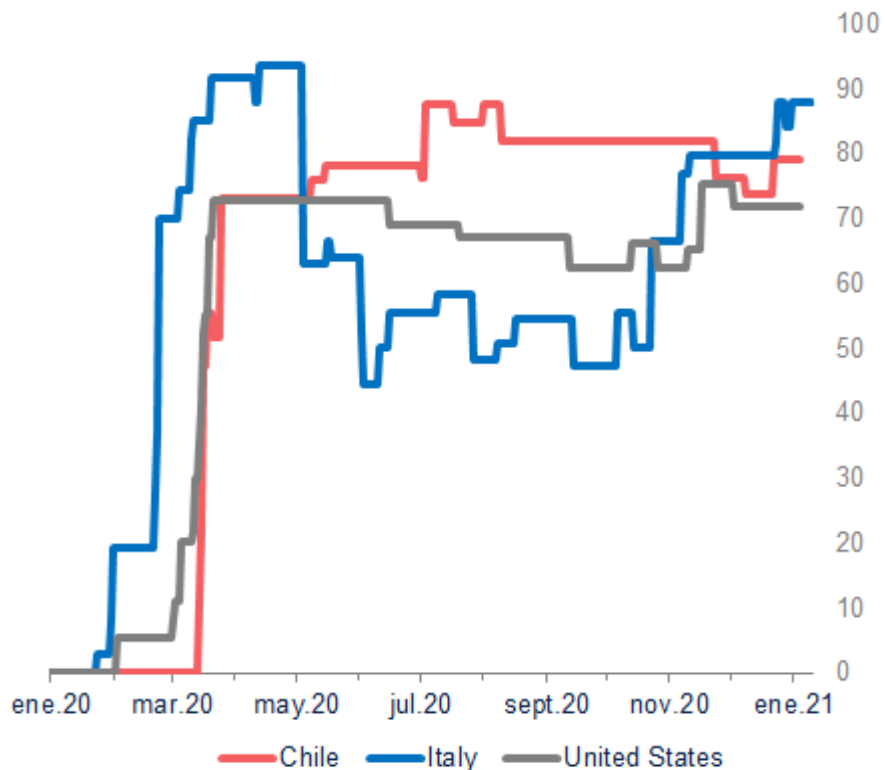


Source: WHO; Ministerio de Salud, Scotiabank Economics

Stringency measures and mobility trends: back to restrictions

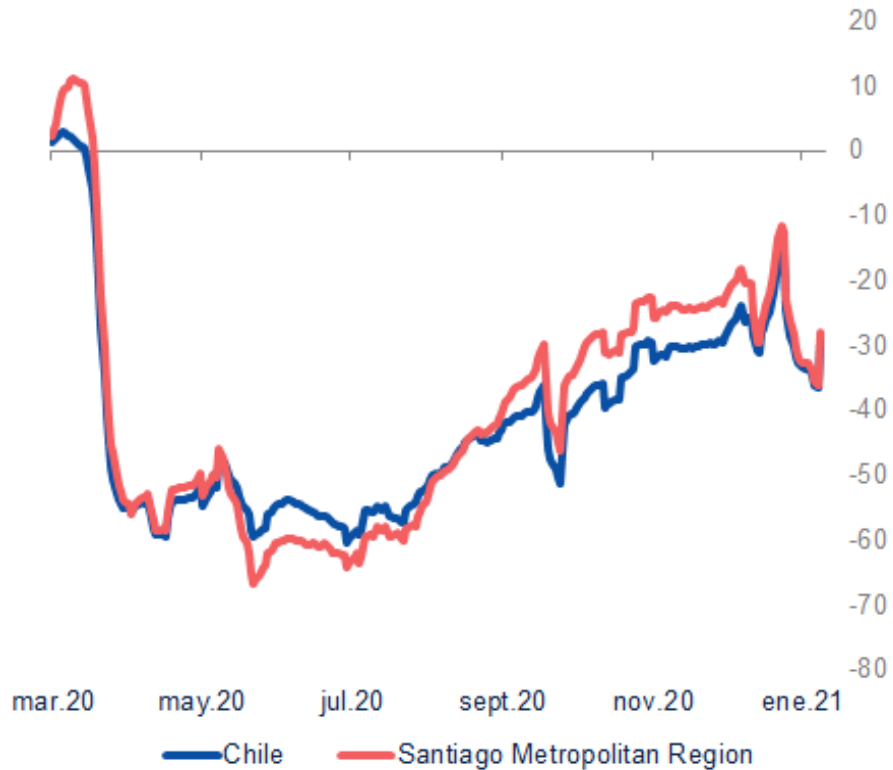
Oxford stringency index*

(index, strictest response=100, up to January 10)



Google mobility trends**

(percentage compared to baseline, 7-day mov. avg, up to January 8)



* The Oxford Stringency Index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100.

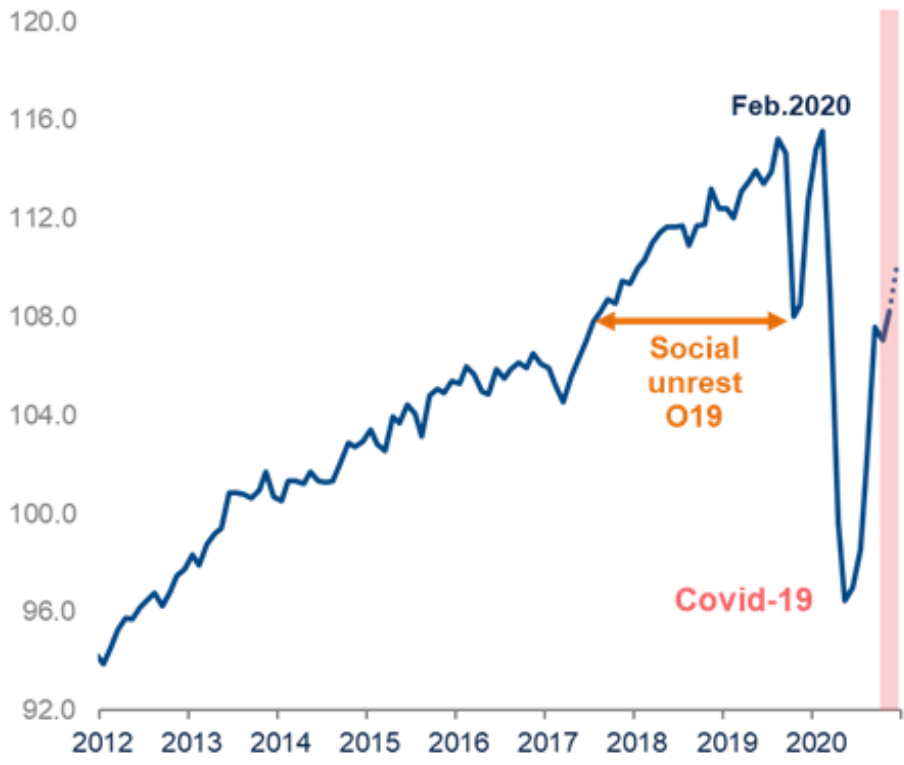
** Google Mobility index: 7-day moving average of Google mobility indices (excludes residential).

Source: Oxford University, Google Mobility report, Scotiabank Economics

Slow and heterogeneous recovery. Services are the furthest behind.

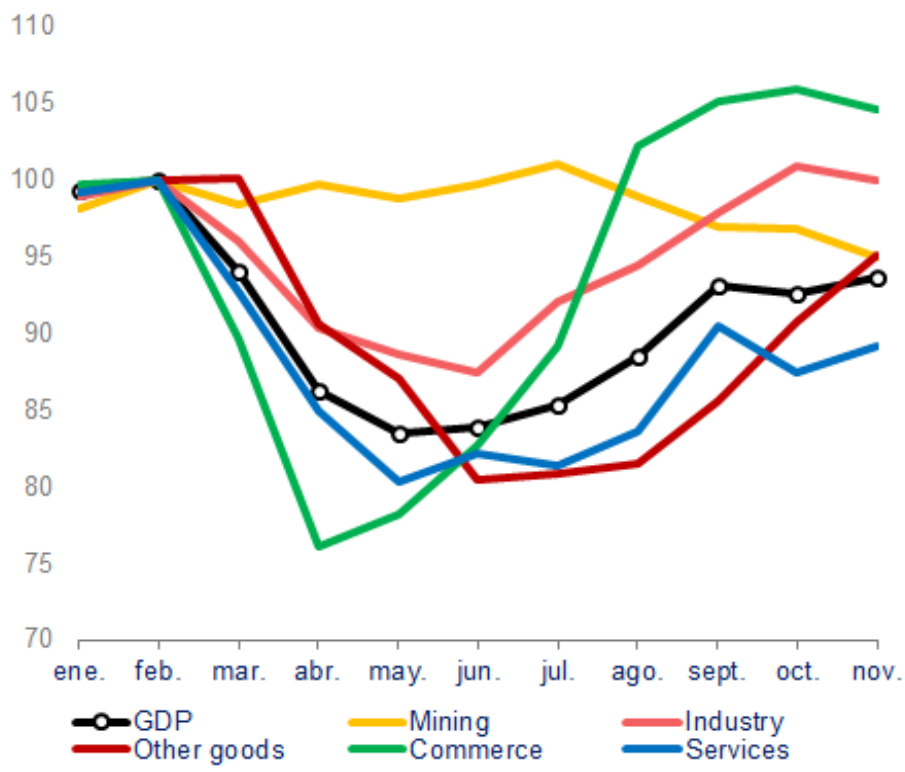
GDP level

(level, 2013=100, seasonally adjusted, monthly data)



GDP level by sector

(index, February 2020=100)



Short run forecasts: growth of monthly GDP	October-20	November-20	December-20(f)
Imacec (% , y/y)	-1.2%	0.3%	-3 to -2%

Source: Central Bank, Scotiabank Economics