Tracking Covid-19: high frequency indicators

Economics & Financial Research

Update December 3, 2020

Scotiabank

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.

- **Remarkably, Retail Sales experienced an acceleration in November, contrary to intuition and still weak macro fundamentals.** There is heterogeneity in the performance of sectors explained by the reopening process: department stores and supermarkets are the main beneficiaries. A second round of pension fund withdrawal before Christmas will break stocks again and put some "mild" pressure on short-run inflation.

- **Commercial loans slowdown deepens.** Credit flowed counter-cyclically to firms, but it shows a worrying slowdown. We estimate "Fogape-Covid" loans have contributed around 9.3 percentage points (pp) to the annual growth of commercial loans in November. **The Central Bank acknowledged the deceleration in loans in the last monetary policy meeting and we anticipate more monetary stimulus through (at least) a more expansionary forward guidance in December meeting. On the other hand, the government is preparing a Fogape 2.0.**

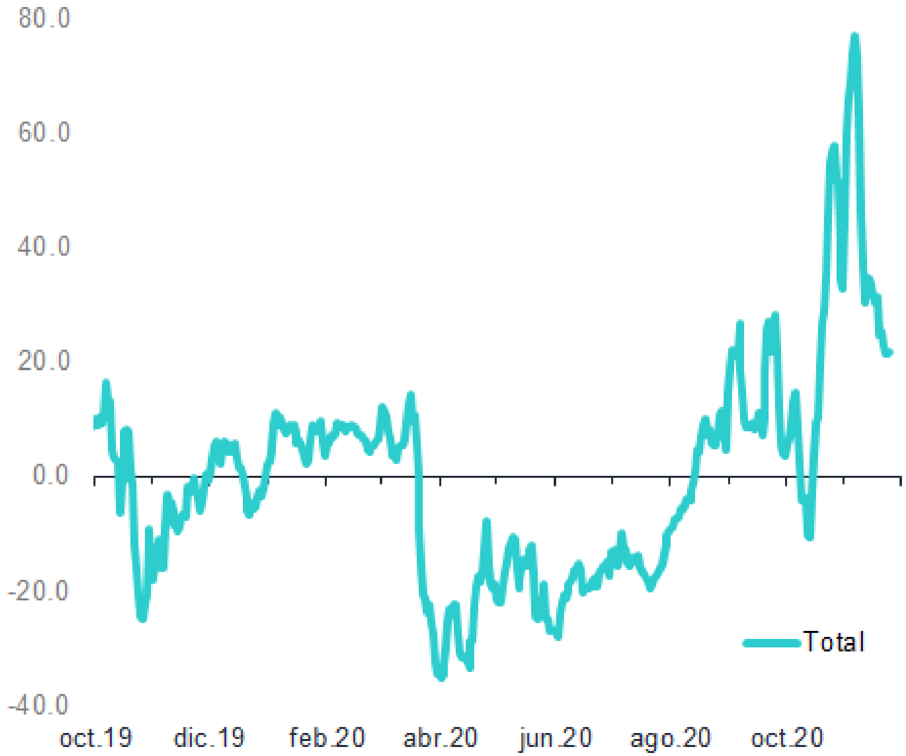
- **Using transactional data that has successfully allowed us to anticipate Retail Sales, we forecast an astonishing increase in Retail Sales of 25% y/y in November,** favored partially by last year's poor performance. Furthermore, new car sales recovered pre-Covid levels, but doubts remain about their medium-term sustainability and stock availability with car imports at lows.

- **We estimate that monthly GDP (proxy: Imacec) had a slightly expansion rate in November, between 0% and 2% y/y.** However, we still see downside risks -especially in private investment- associated to a persistent domestic political uncertainty and a deep weakness in the labor market.

Strong injections of liquidity from Pension Funds and middle-class bonus supported private consumption. Level of purchases accelerated in November, before a second round of pension funds withdrawal.

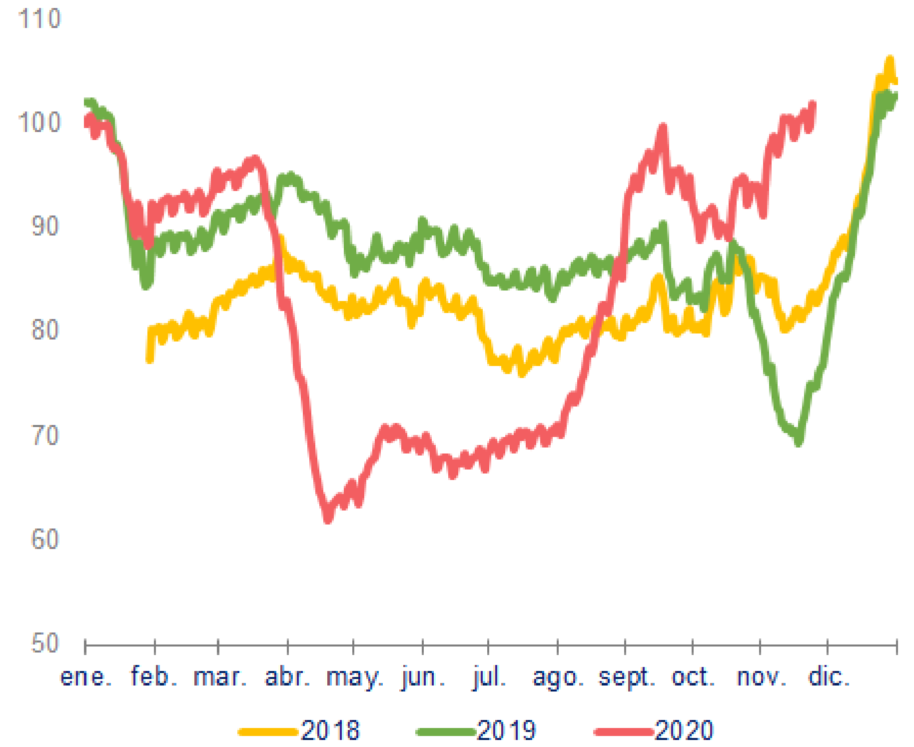
Annual growth of purchases with credit & debit cards: favored by low levels of 2019*

(percentage, annual growth, 7-day moving average, up to Nov. 29)



Level of purchases (debit & credit) speeds up in November*

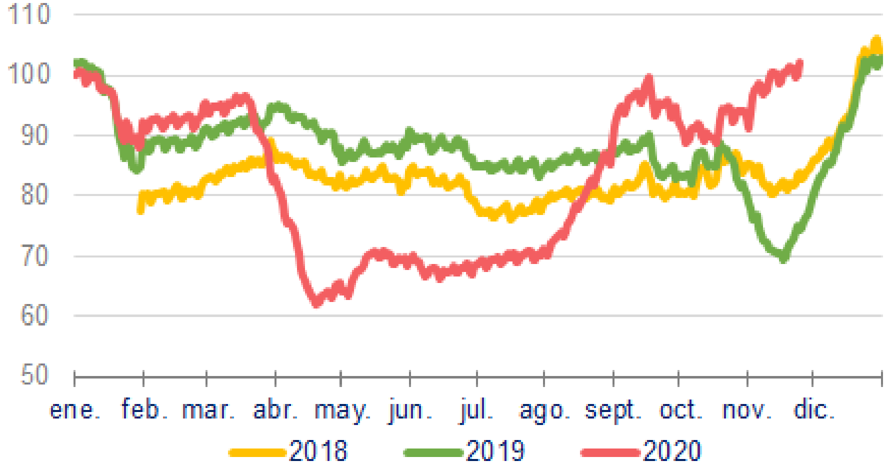
(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



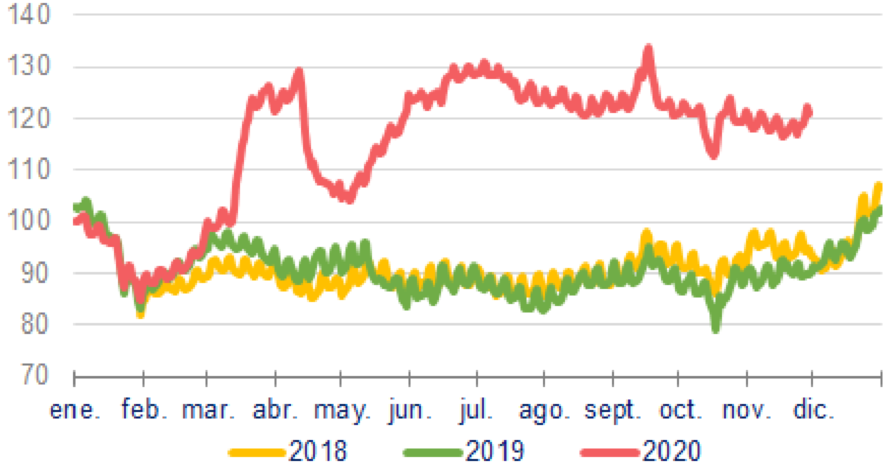
* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index.
Source: Scotiabank Economics

Supermarkets and Retailers are the big winners

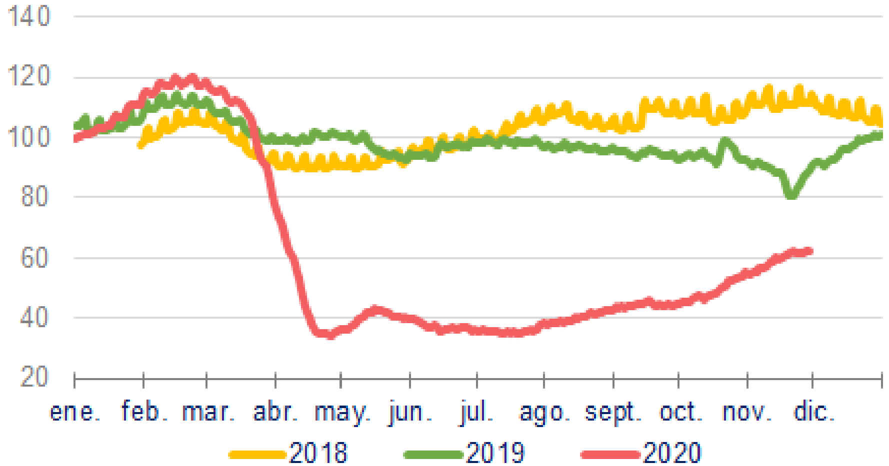
Total purchases*
(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



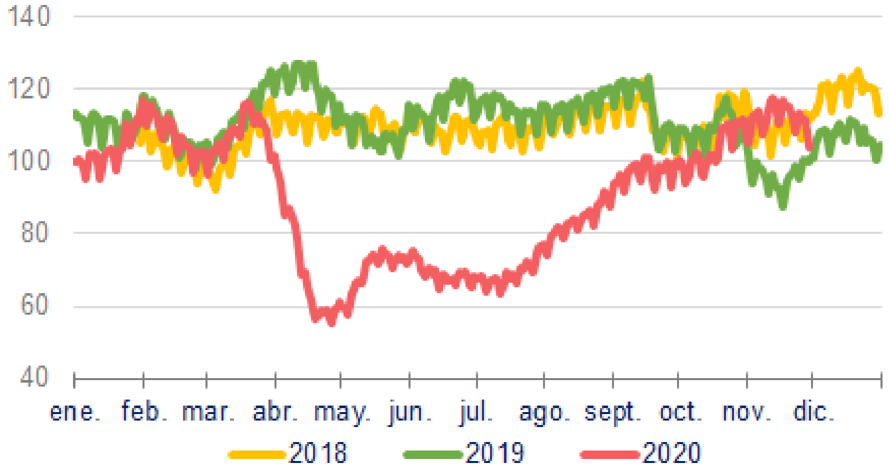
Supermarkets*
(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



Fuels*
(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



Drugstores*
(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)

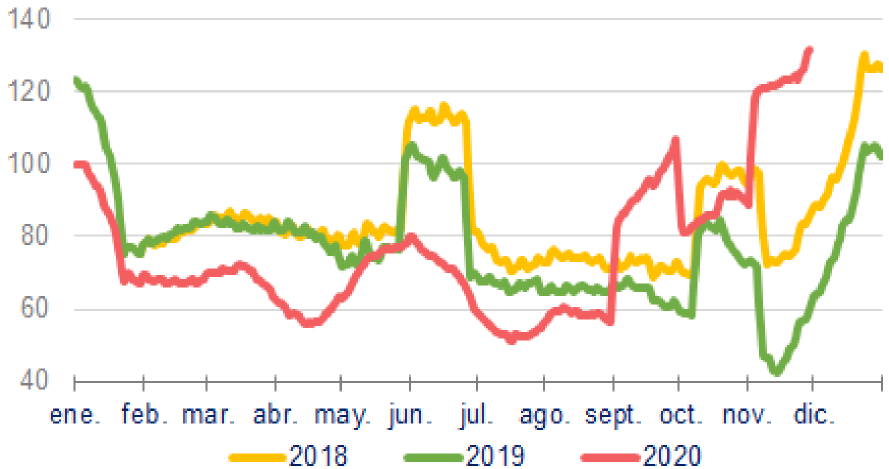


* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index.
Source: Scotiabank Economics

Strong recovery in Department stores: e-commerce and Cyberday

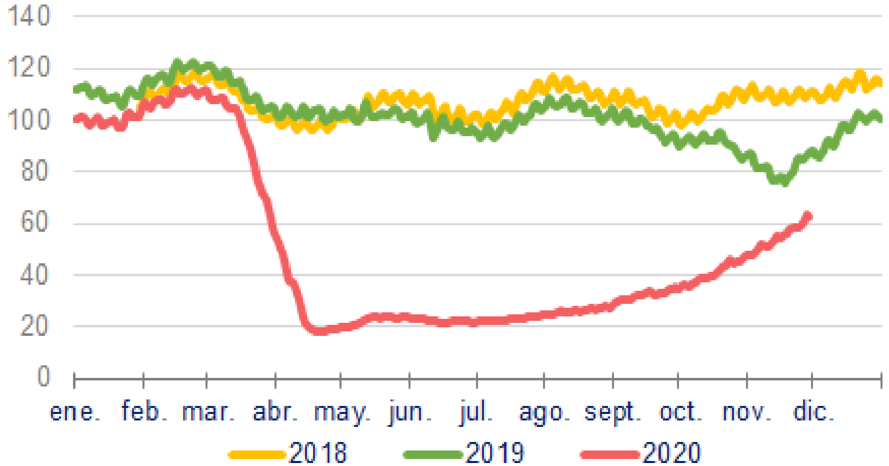
Department stores*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



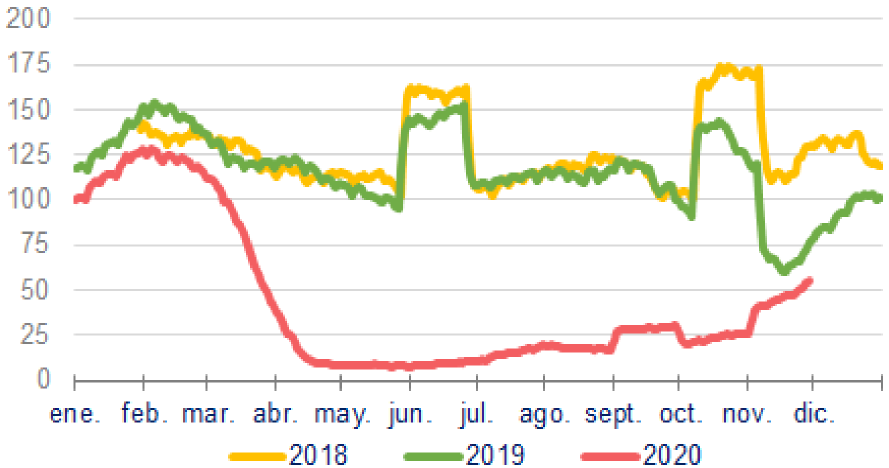
Restaurants*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



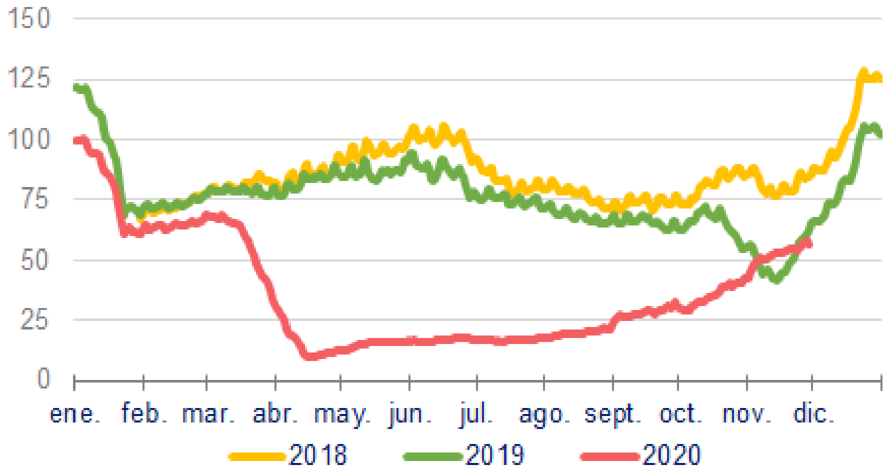
Tourism travel*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



Clothing and footwear*

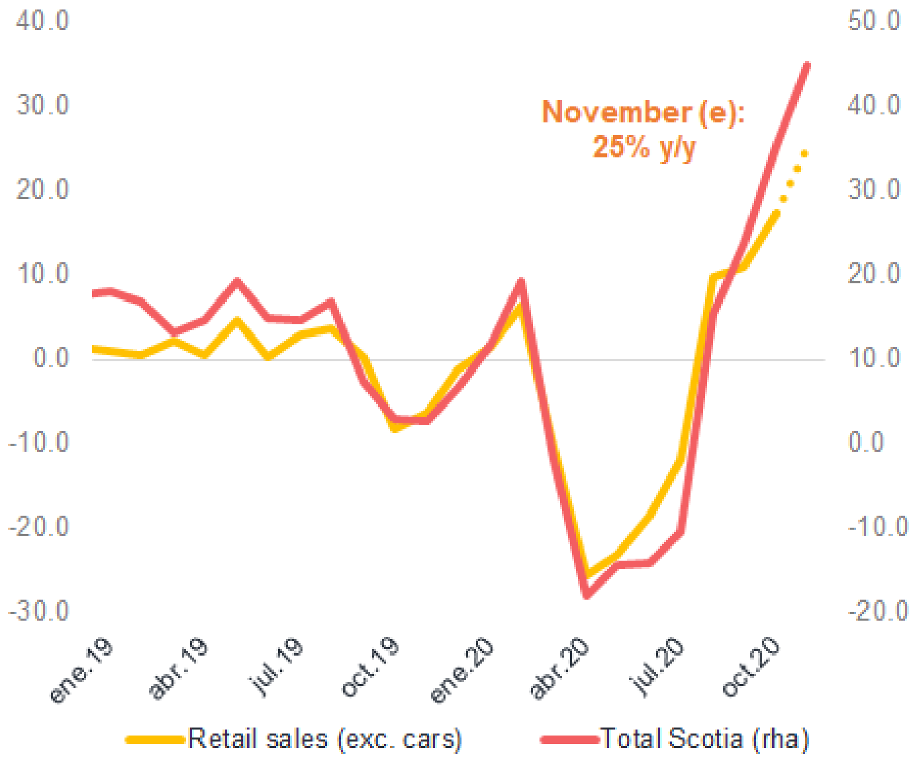
(level, index 1-Jan-2020=100, 30-day moving sum, up to Nov. 29)



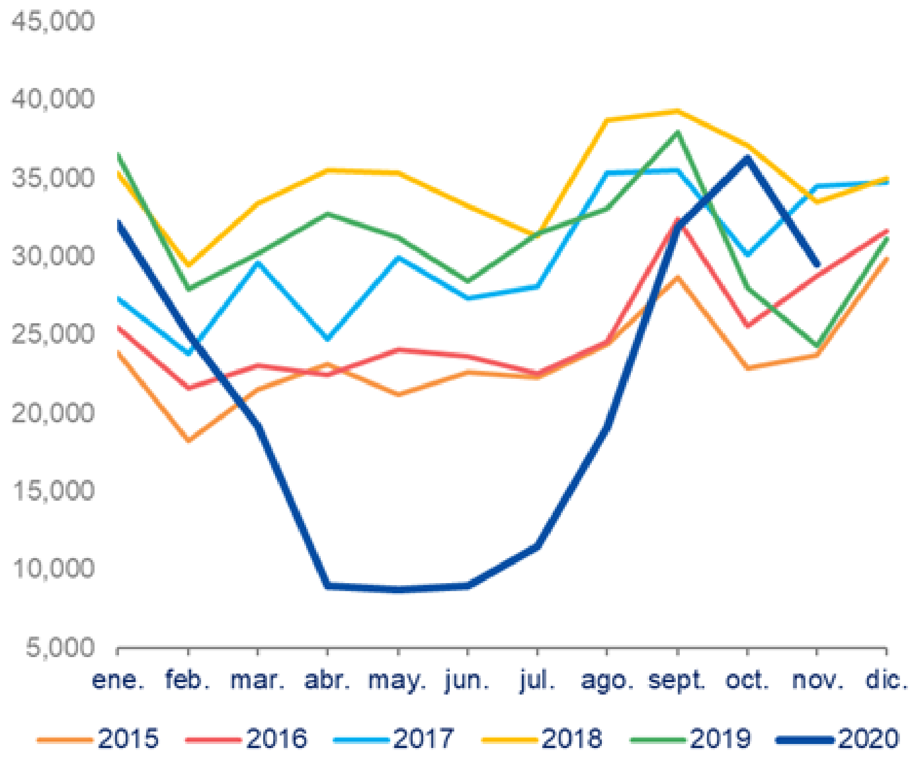
* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index.
Source: Scotiabank Economics

Retail sales: we forecast +25% y/y in November, due to ample liquidity in households' pockets and last year's poor performance - Car sales recovery continues (+21.5% y/y).

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



New car sales
(units per month)

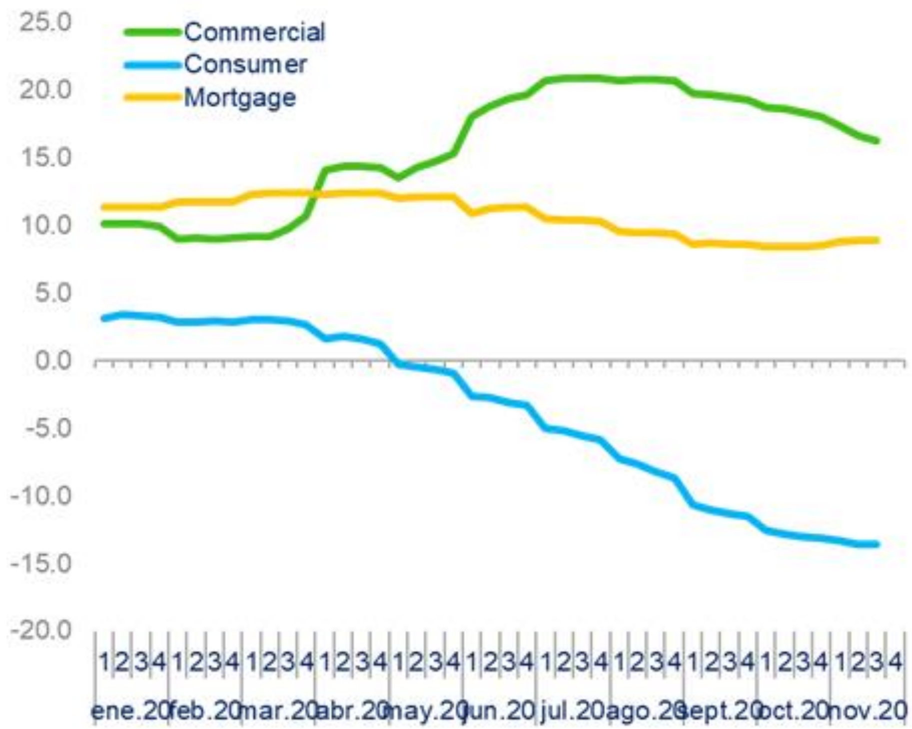


** This figure compares the INE's monthly retail sales indicator with our data on total purchases with credit & debit cards reported in previous slides.
Source: National Bureau of Statistics (INE), Scotiabank Economics

Counter-cyclically credit flows but slowing down in the margin. **As of the 3rd week of November, the slowdown in commercial loans continues, and the decline in consumer loans deepens. Mortgage loans stabilize.**

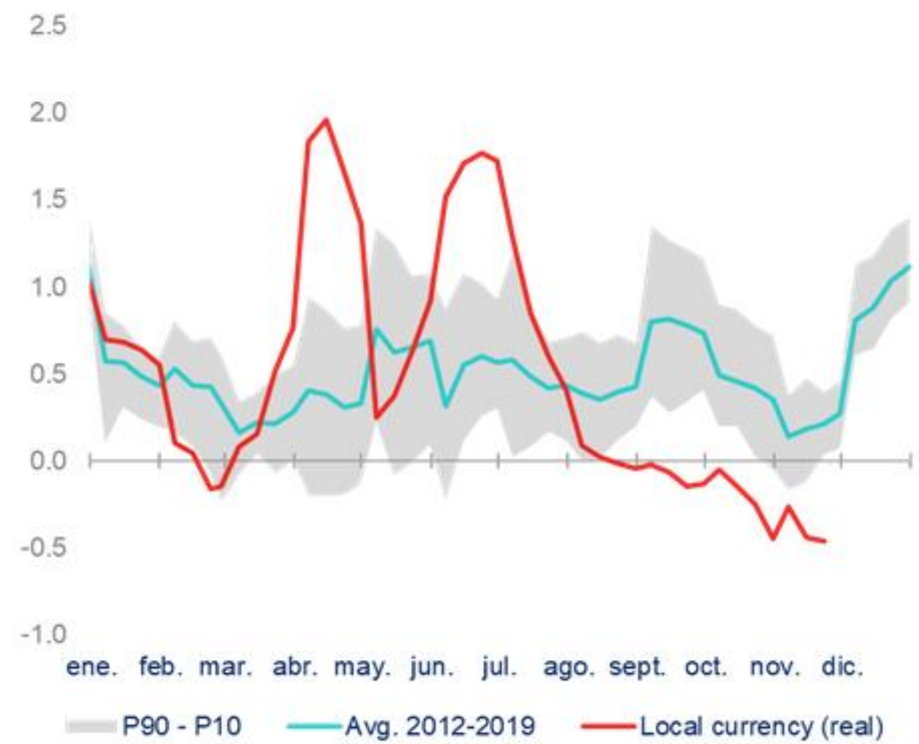
Loans in local currency

(percentage, real annual growth, weekly data)



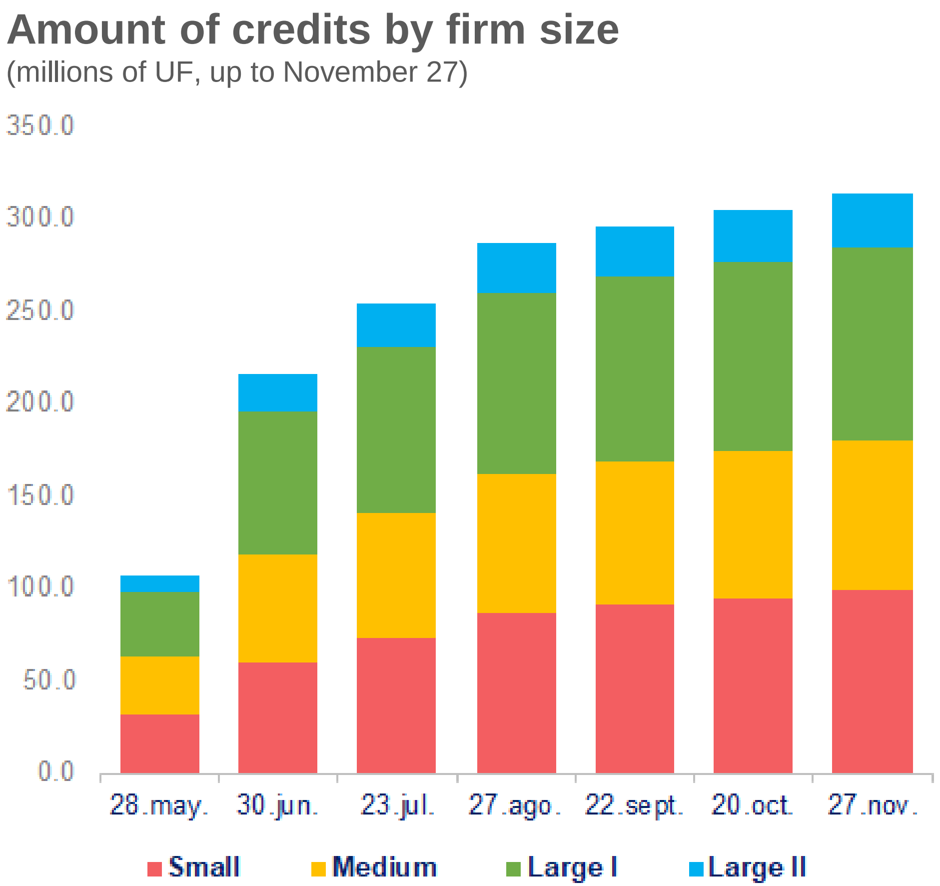
Monthly dynamism of total loans

(percentage, real monthly growth, local currency, weekly data)



Source: Central Bank, Scotiabank Economics

State guaranteed Covid-19 credits (FOGAPE)



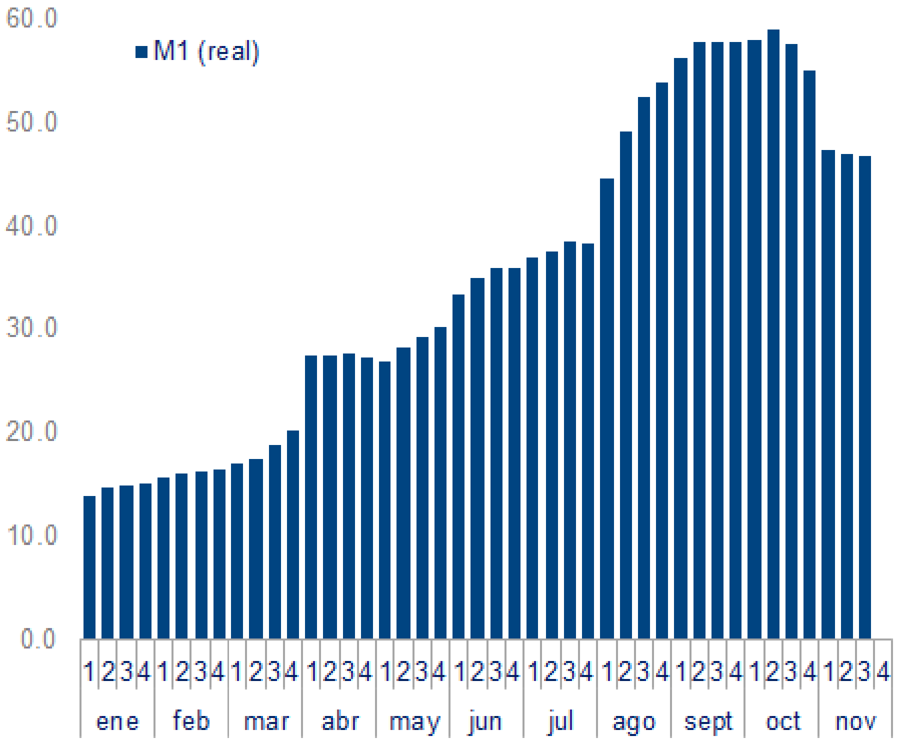
FOGAPE loans	May	June	July	August	September	October	November
% of total commercial loans	3.4%	6.8%	8.0%	8.8%	9.0%	9.3%	9.3%

See the complete report
Source: Ministry of Finance, *CMF*, Scotiabank Economics

Liquidity begins to decline prior to the second withdrawal

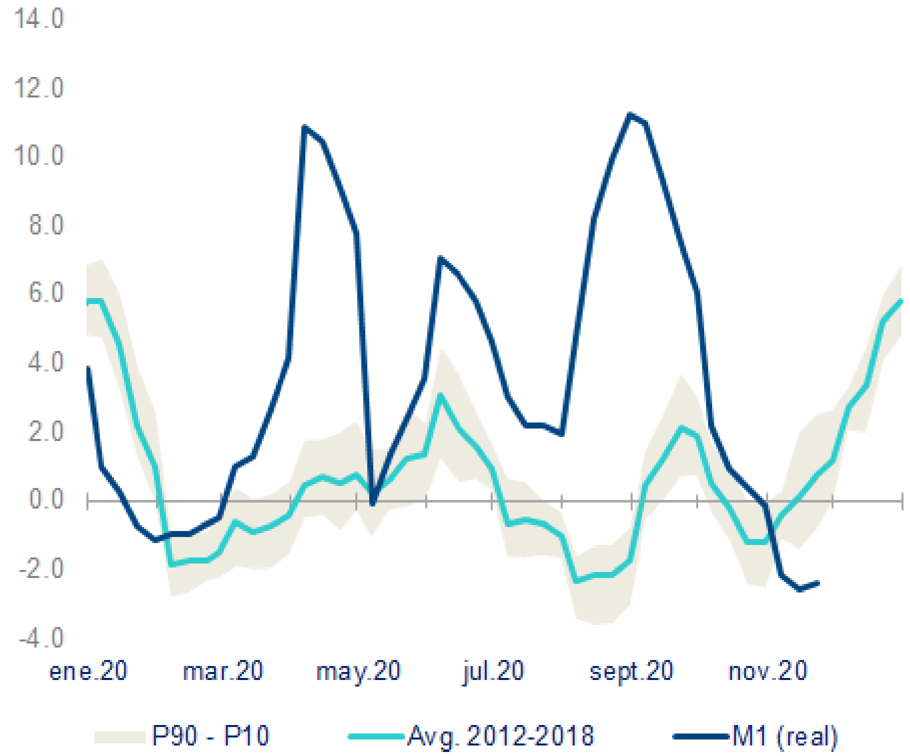
Money aggregate (M1)

(percentage, real annual growth, weekly data)



Monthly dynamism of M1

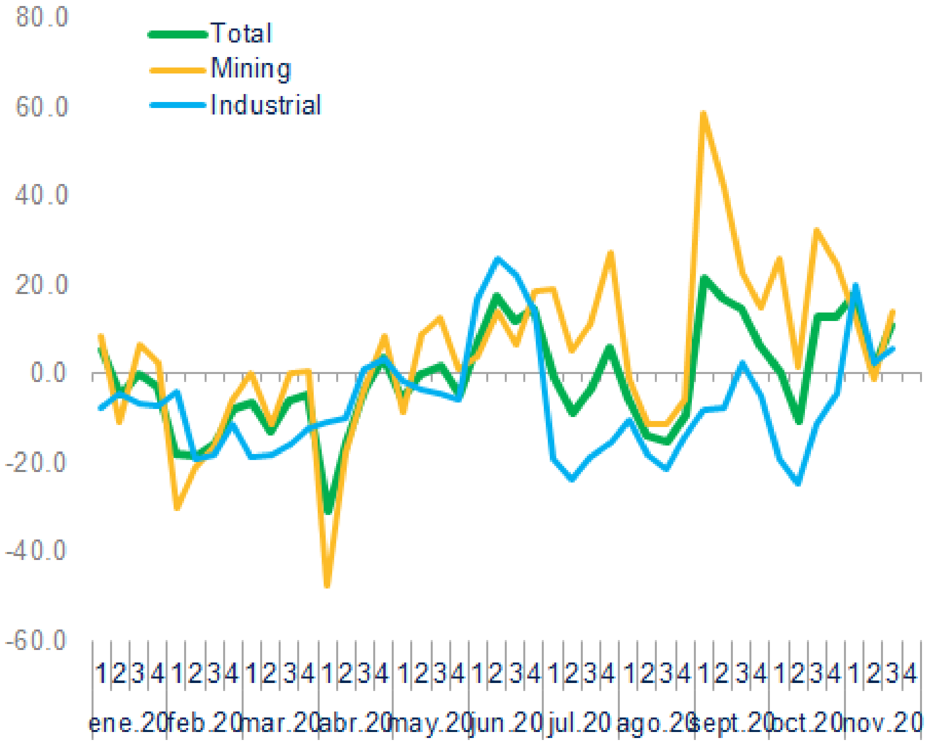
(percentage, real monthly growth, weekly data)



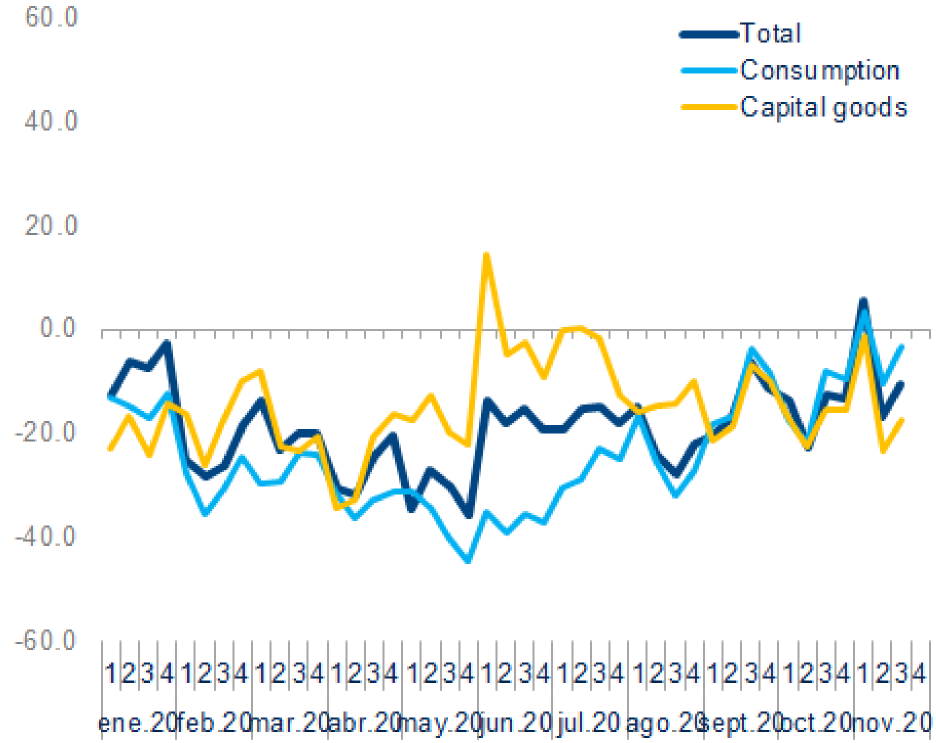
Source: Central Bank, Scotiabank Economics

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

Exports by the 3rd week of Nov.: +11.2% y/y
(percentage, annual growth, weekly data, acumm. in the month)



Imports by the 3rd week of Nov.: -10.4% y/y
(percentage, annual growth, weekly data, acumm. in the month)

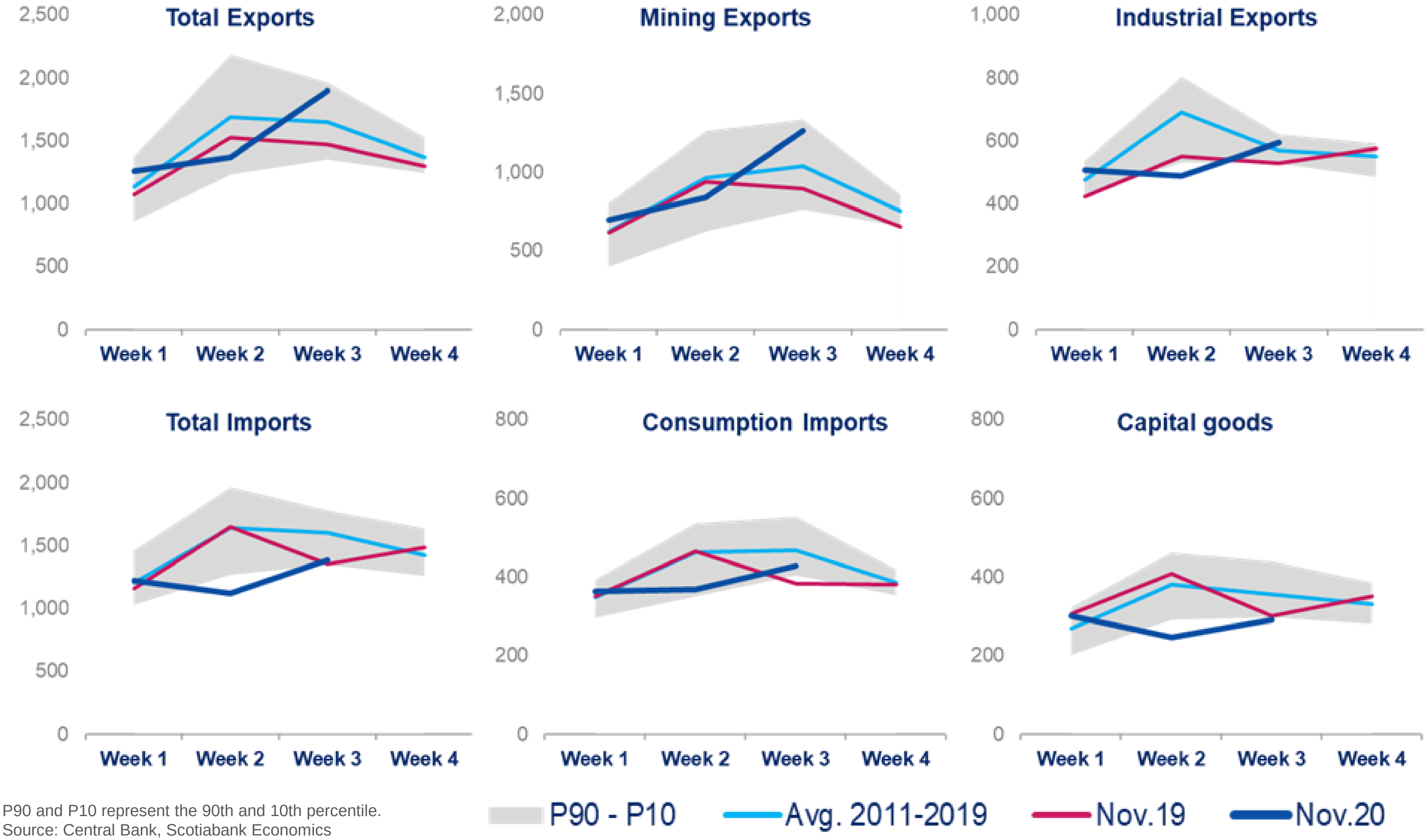


Source: Central Bank, Scotiabank Economics

Clear signs of recovery in exports. Imports still lagging

Weekly flow of Exports and Imports in November

(level, USD millions per week)



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

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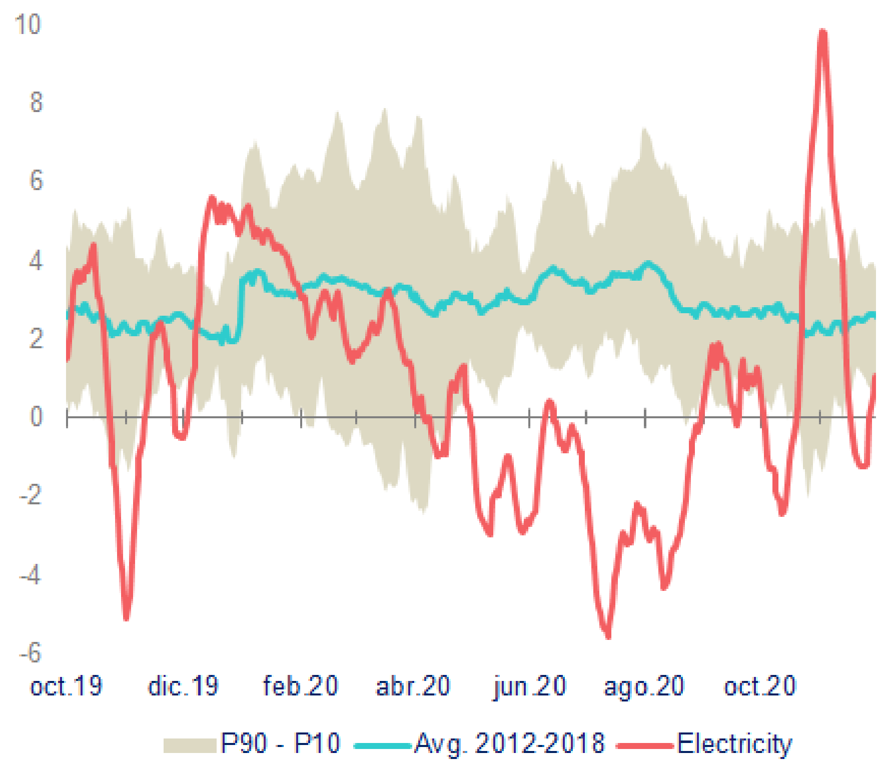
Higher demand for electricity reveals progress in the reopening of the economy – around 90% of the economy´s GDP is already unlocked. Annual growth is favored by social unrest in 2019 Q4.

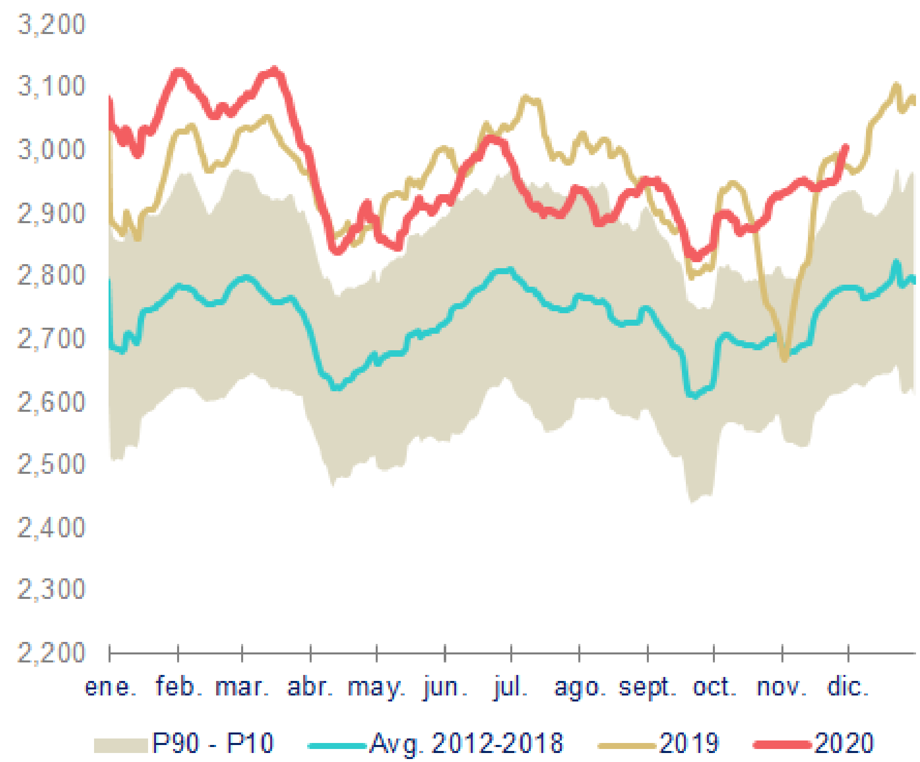
Annual growth of electricity generation

(percentage, annual growth, 14-day accum., up to November 30)



Level of electricity generation

(percentage, annual growth, 14-day accum., up to November 30)

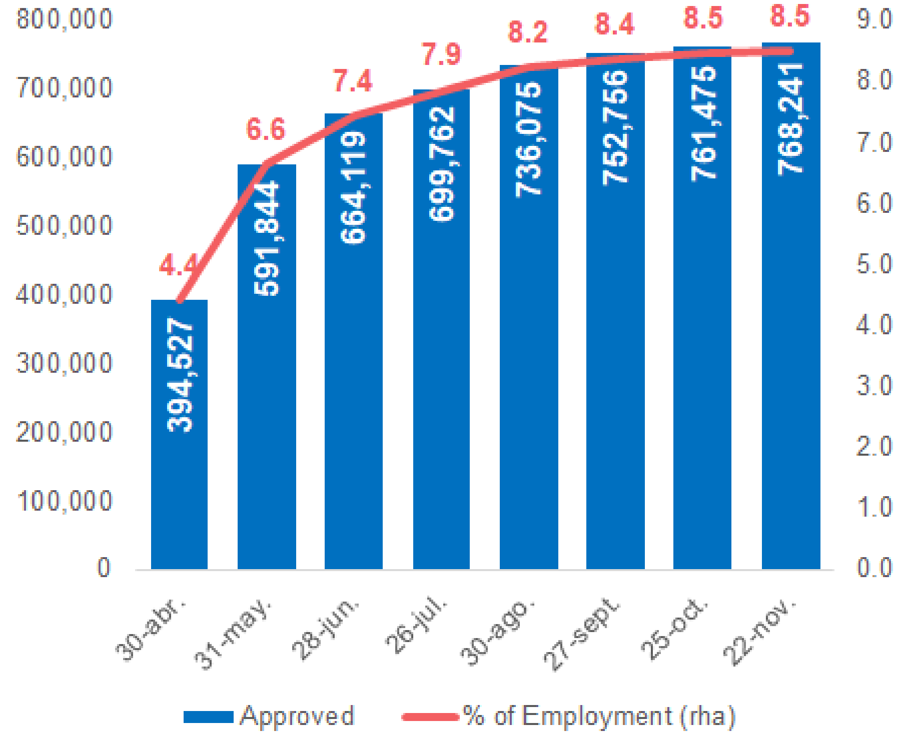


P90 and P10 represent the 90th and 10th percentile.
Source: *Coordinador Eléctrico*, Scotiabank Economics

Employment Protection Plan: the more cyclical, the more affected

Approved requests

(number of employees, % of total employment)



Approved requests by sector

(up to November 22, Law 21.227)

Sector	Number	% total	% of sectoral employment
Agriculture	7,416	1.0	1.1
Mining	2,037	0.3	0.9
Manufacturing	71,333	9.3	8.1
Elect. and gas	1,192	0.2	2.4
Water and waste	993	0.1	1.6
Construction	163,700	21.3	20.4
Commerce	180,094	23.4	10.5
Transport	40,381	5.3	9.0
Food and accomm.	123,103	16.0	20.9
Communications	10,591	1.4	7.5
Financial act.	7,096	0.9	3.8
Real estate act.	7,572	1.0	9.1
Professional act.	30,969	4.0	9.5
Administrative act.	47,643	6.2	21.1
Public Adm.	240	0.0	0.0
Education	16,596	2.2	2.1
Health	16,477	2.1	3.0
Rec. and culture	14,403	1.9	11.0
Other services	25,160	3.3	9.1
Other activities	1,245	0.2	0.3
Total	**768,241**	**100.0**	**8.5**

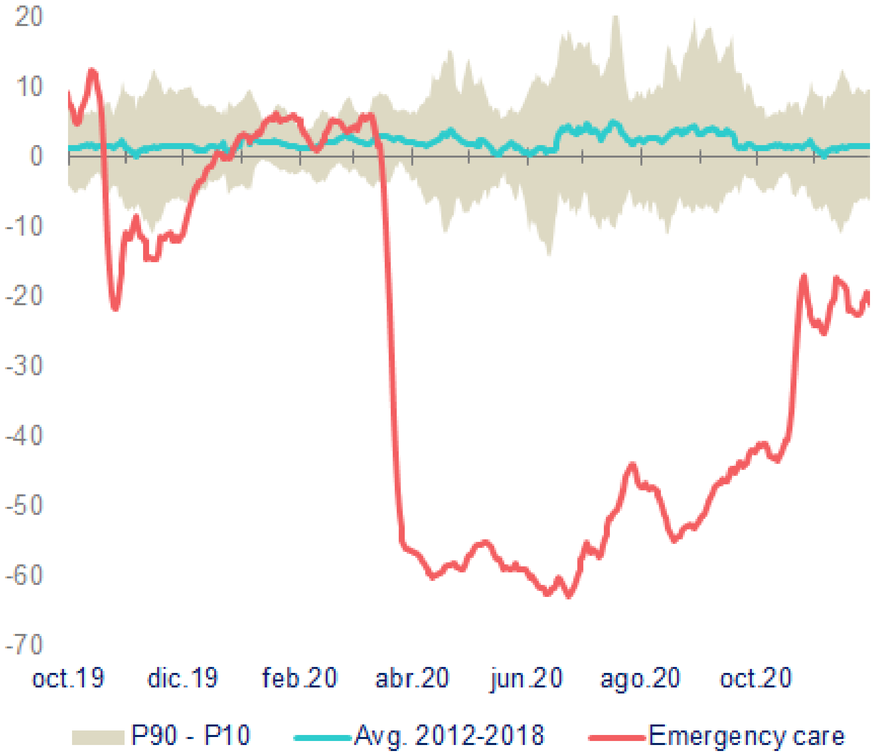
See the complete report

Source: National Bureau of Statistics (INE), *Superintendencia de Pensiones*, Scotiabank Economics

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

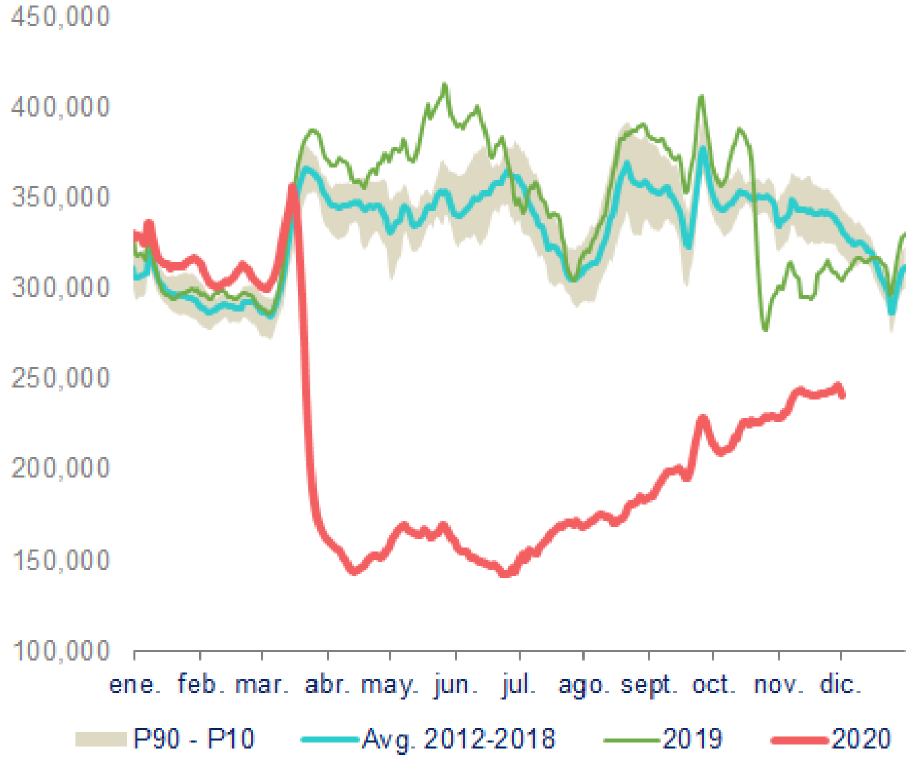
Annual growth in Emergency Care

(percentage, annual growth, 7-day mov. sum, up to December 1)



Number of Emergency Care attentions

(number of daily attentions, 7-day mov. sum, up to December 1)

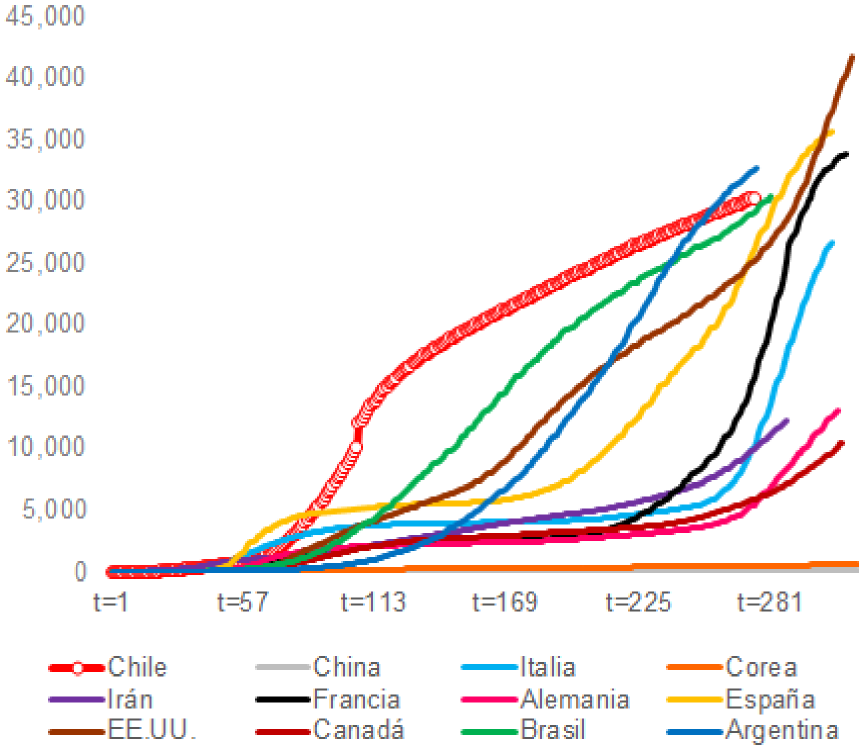


Source: *Ministerio de Salud (DEIS)*, Scotiabank Economics

Covid-19 outbreak all over the world

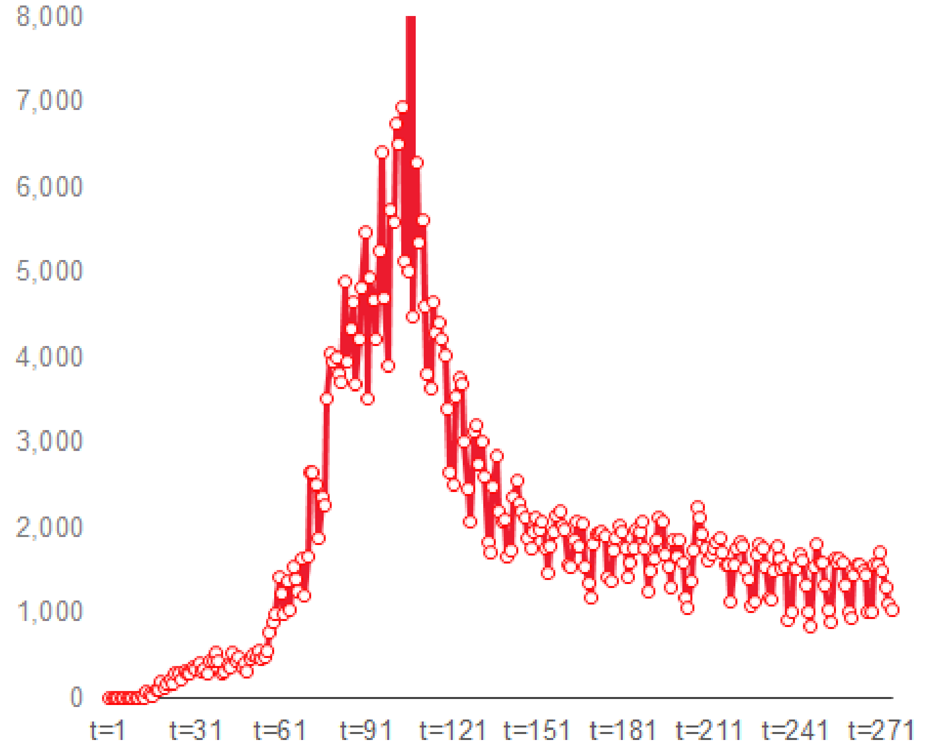
COVID-19, selected countries

(cases/population x 1.000.000, t=1 first case, up to December 2)



New cases COVID-19 in Chile

(number of new cases per day, t=1 first case, up to December 2)

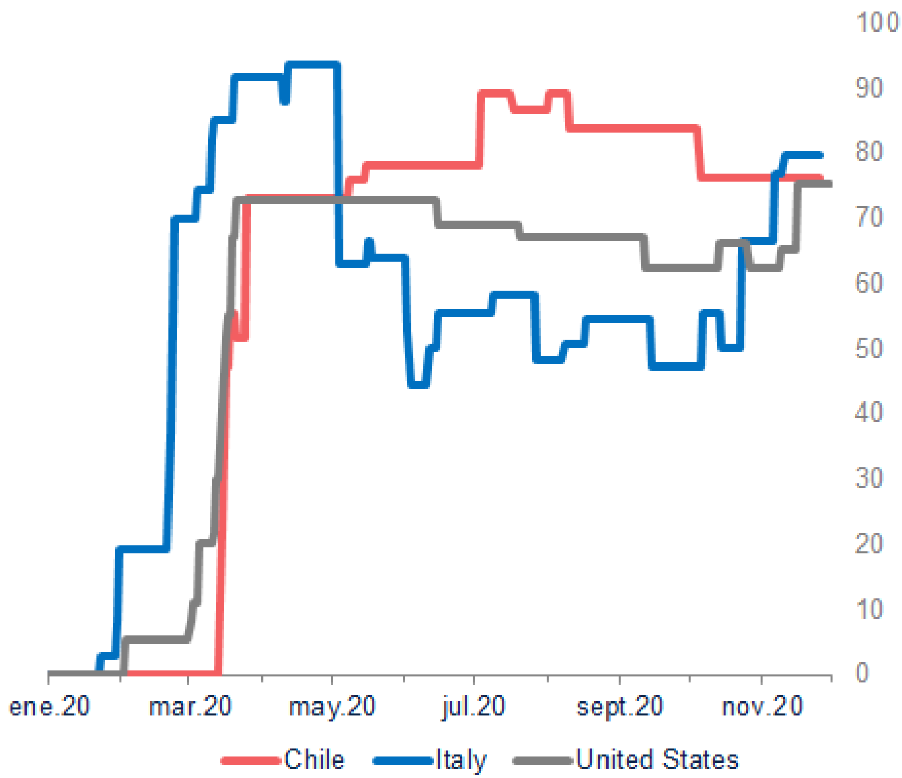


Source: WHO; *Ministerio de Salud*, Scotiabank Economics

Stringency measures and mobility trends: back to restrictions

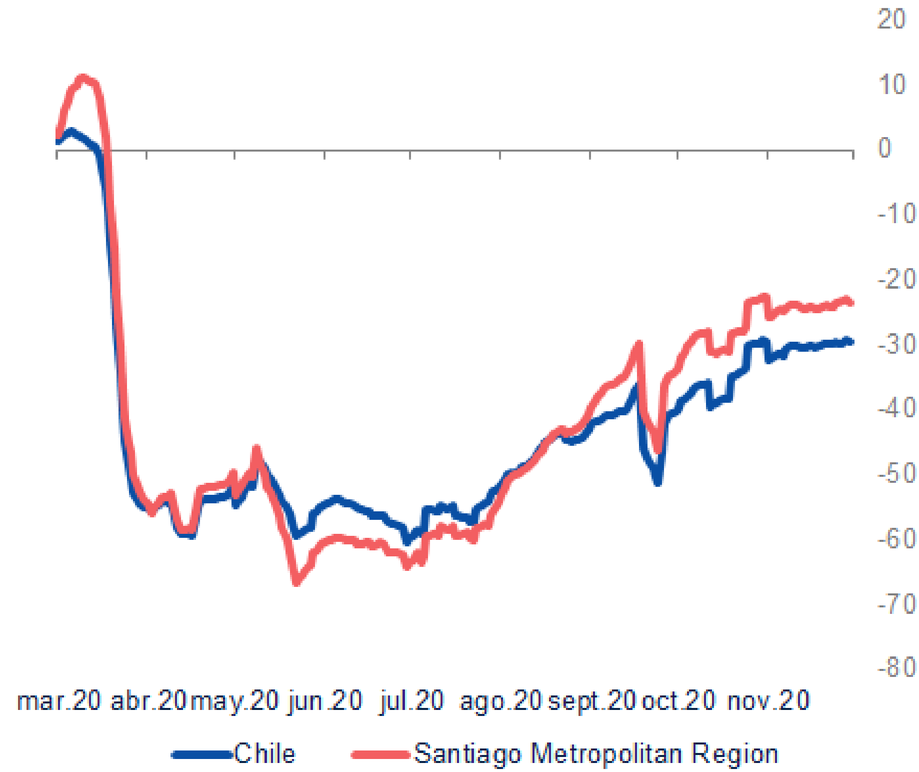
Oxford stringency index*

(index, strictest response=100, up to November 30)



Google mobility trends**

(percentage compared to baseline, 7-day mov. avg, up to Nov. 30)



* 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.

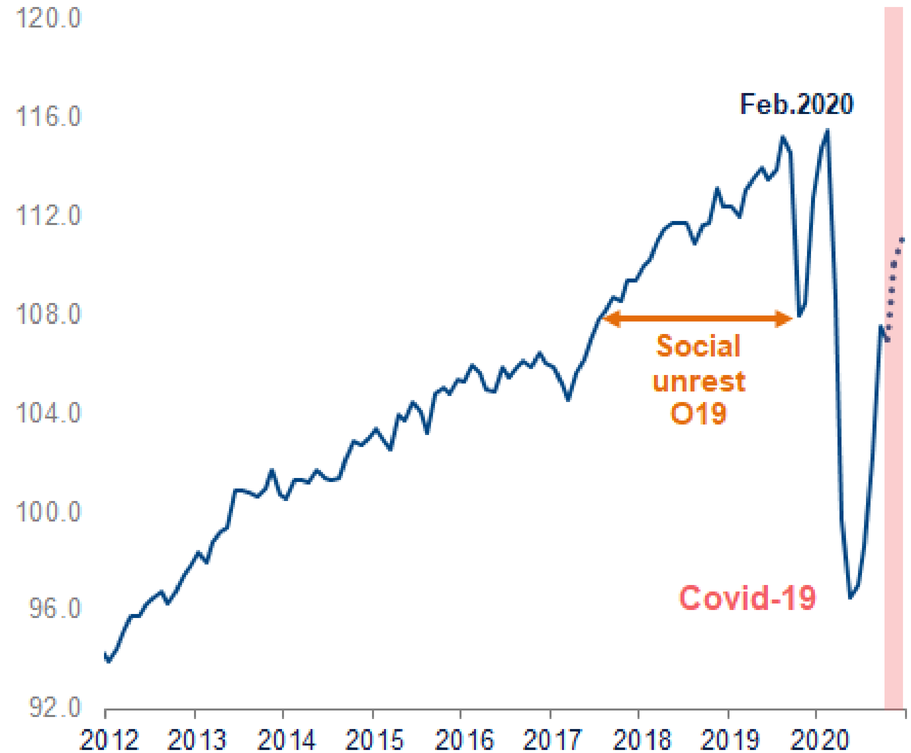
** Google Mobility index: 7-day moving average of Google mobility indices (excludes residential).

Source: Oxford University, Google Mobility report, Scotiabank Economics

Slow recovery during 2H 2020, but better prospects for 2021

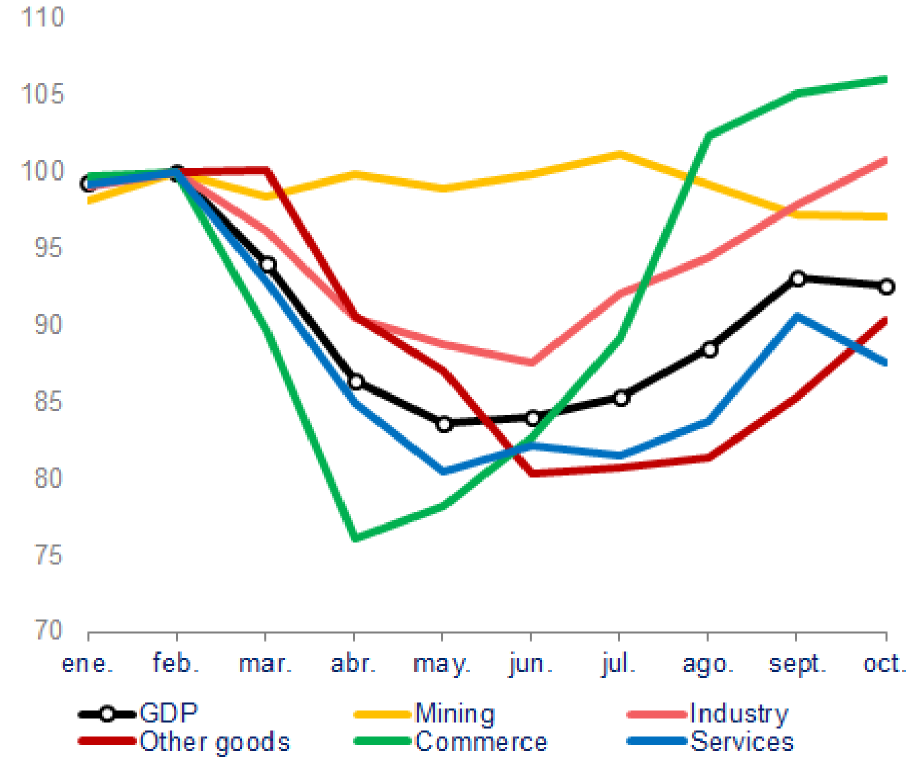
GDP level

(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(f)	December-20(f)
Imacec (%, y/y)	-1.2%	**0 to 2%**	**-2 to 0%**

Source: Central Bank, Scotiabank Economics

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