

Tracking Covid-19: high frequency indicators



Economics & Financial Research

Update November 5, 2020



Key messages

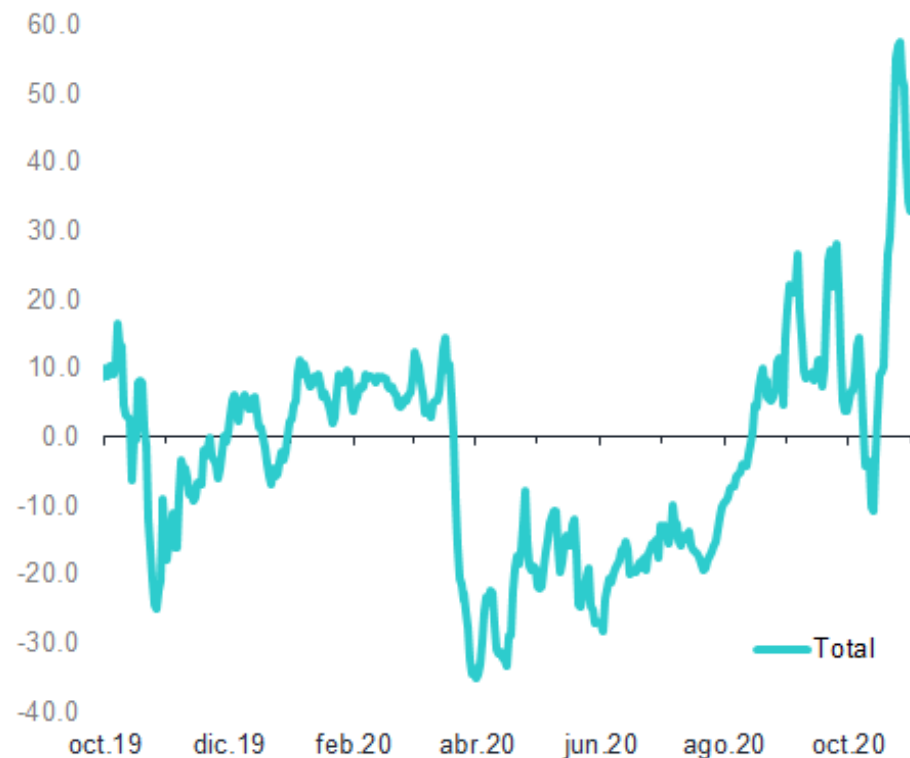
This presentation is part of a periodically series intended to draw insights about the state of the Chilean economy from the flow of Scotiabank's retail transactions data (purchases by Scotiabank clients) and other sources of information. The transactions can serve as a measure of economy-wide retail 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.

- **Sales continue a recovery path with a mild deceleration in October.** We still observe heterogeneity explained by the reopening process: retailers and supermarkets are receiving most of the **decelerating** liquidity from the withdrawal of Pension Funds, and fiscal and monetary support.
- **Worrying slowdown in commercial loans.** Credit flowed counter-cyclically to firms, but it shows a worrying slowdown. We estimate “Fogape-Covid” loans have contributed around 9.3 percentage points (pp) to the annual growth of commercial loans in October. **The Central Bank acknowledged the deceleration in loans in the last monetary policy meeting and we anticipate more monetary stimulus in December meeting. On the other hand, the government is preparing to launch a Fogape 2.0 credit line in a few days.**
- Using transactional data (local purchases with Scotiabank's credit & debit cards), **we forecast increase in retail sales around 20% y/y in October**, favored by last year's poor performance after the social unrest. Furthermore, new car sales recovered pre-Covid levels in October, but doubts remain about their medium-term sustainability.
- **We estimate that monthly GDP (proxy: Imacec) had a slightly positive growth rate in October, between 0% and 2% y/y.** However, we still see downside risks -especially in private investment- associated to a persistent domestic political uncertainty and deep weakness in the labor market.

Strong injections of liquidity from Pension Funds and middle-class bonus supported private consumption, but the impulse slowed down in October, approaching to 2019 levels.

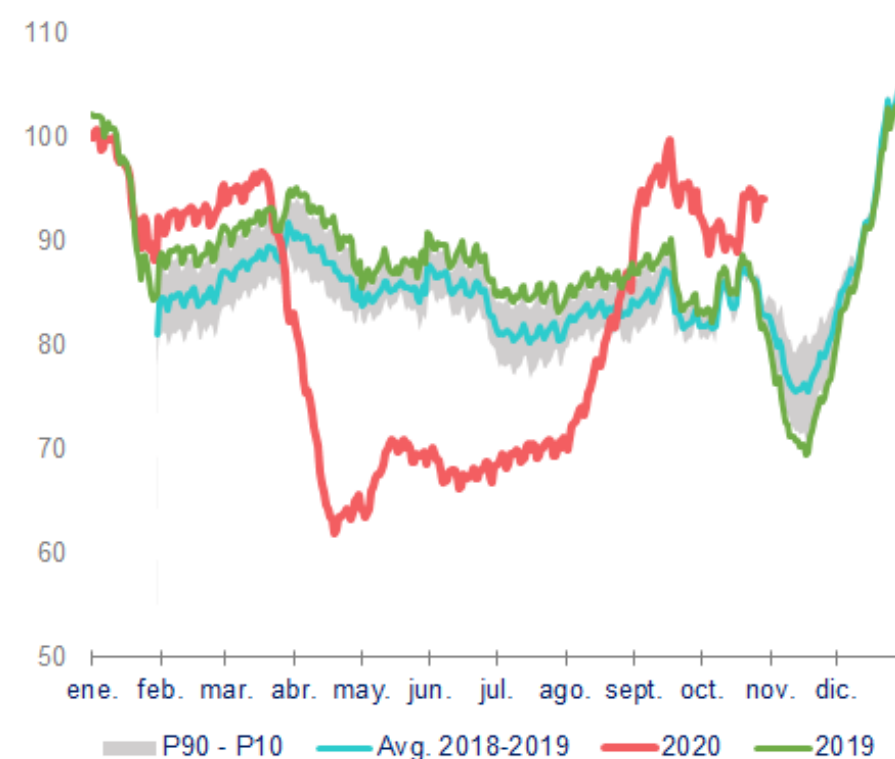
Annual growth of purchases with credit & debit cards: favored by low levels of 2019*

(percentage, annual growth, 7-day moving average, up to Oct. 31)



Level of purchases (debit & credit) slowed down in October*

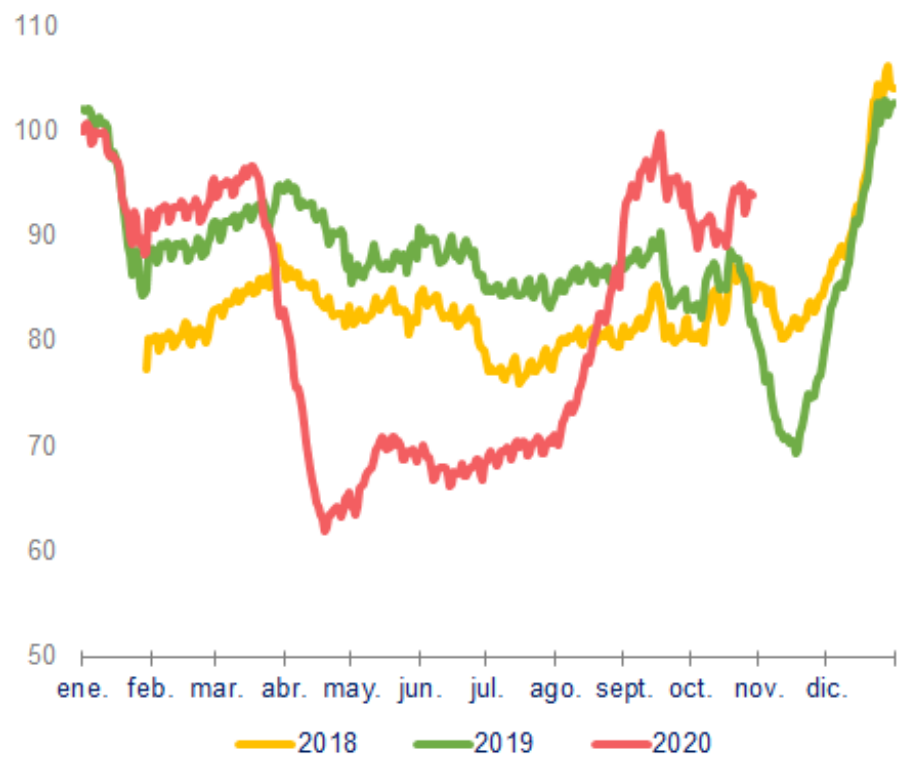
(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



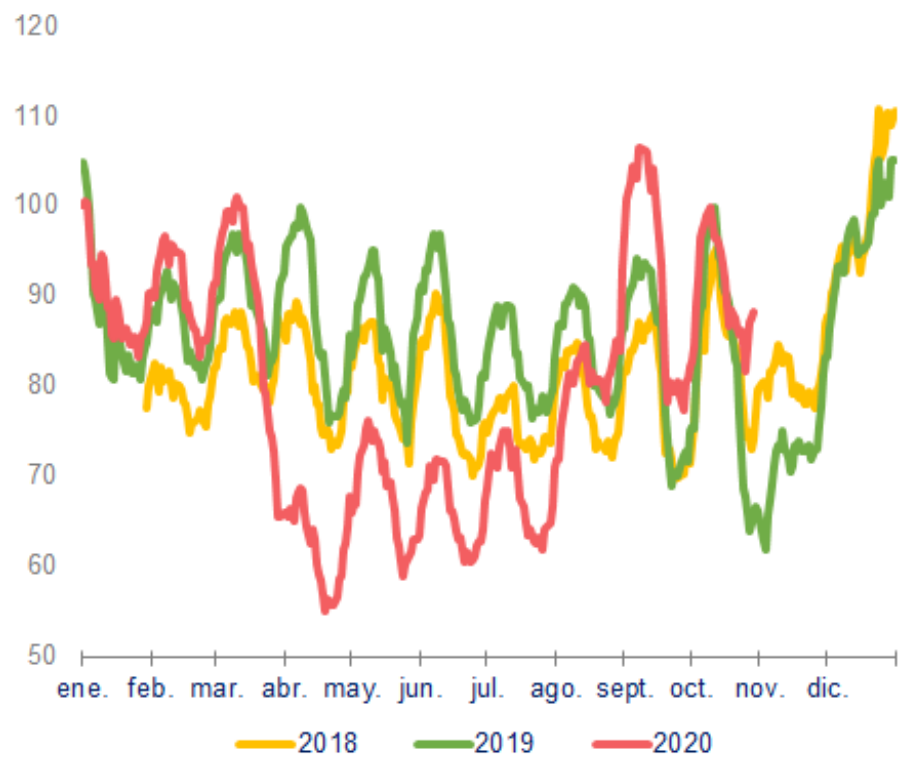
* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index.
Source: Scotiabank Economics

Retails sales moderated in October

Level of purchases: 30 days moving sum*
 (level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



Level of purchases: 15 days moving sum*
 (level, index 1-Jan-2020=100, 15-day moving sum, up to Oct. 31)

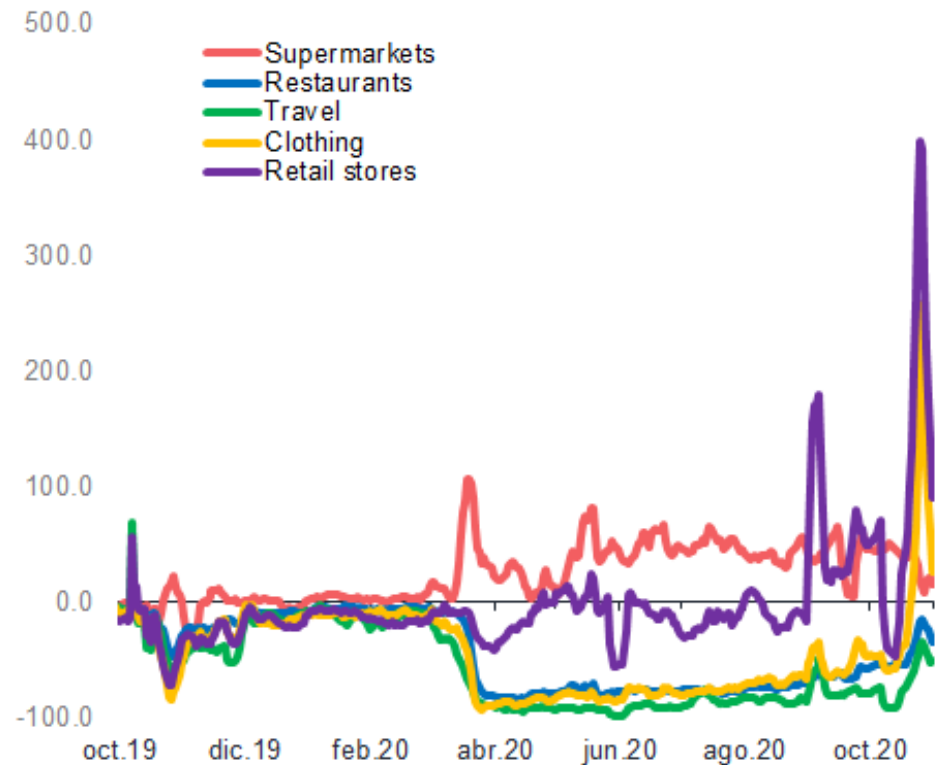


* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index.
 Source: Scotiabank Economics

Deceleration in the use of credit cards after withdrawal of Pension Funds and fiscal support vanished – Retail Sales show signs of moderation

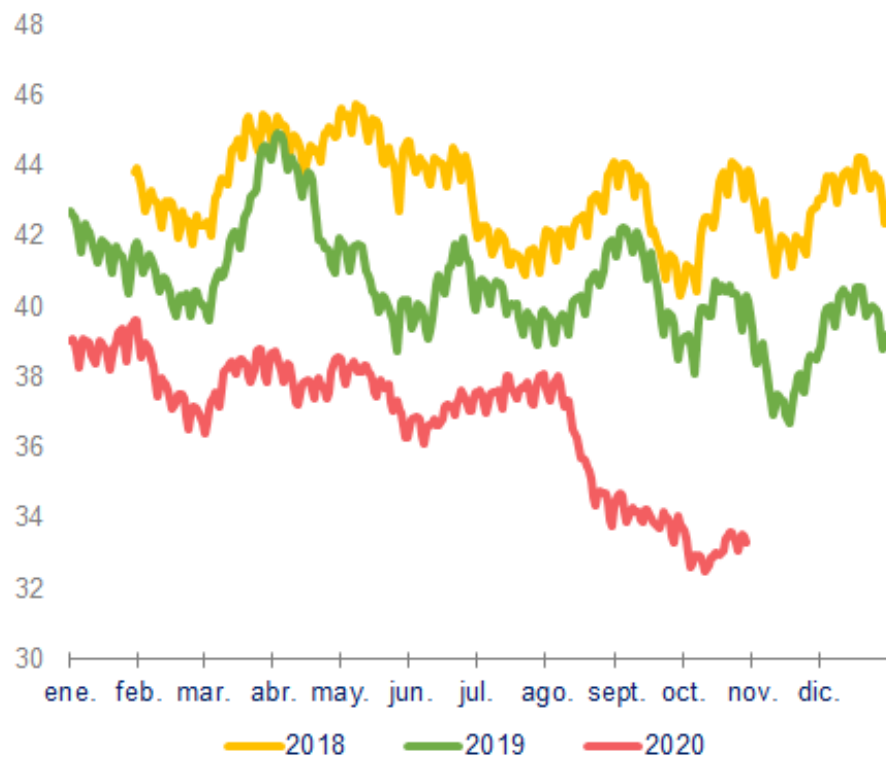
Annual growth of purchases: credit cards*

(percentage, annual growth, 7-day moving average, up to Oct. 31)



Purchases with credit cards*

(% of total purchases, 30-day moving average, up to Oct. 31)

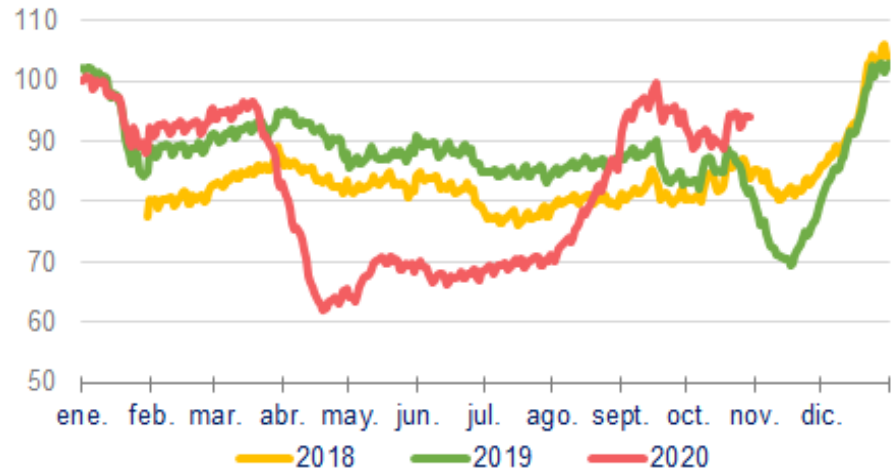


* Data show purchases with Scotiabank's credit cards. The level of purchases is shown as an inflation-adjusted index.
Source: Scotiabank Economics

Supermarkets are the big winners and Retailers followed behind

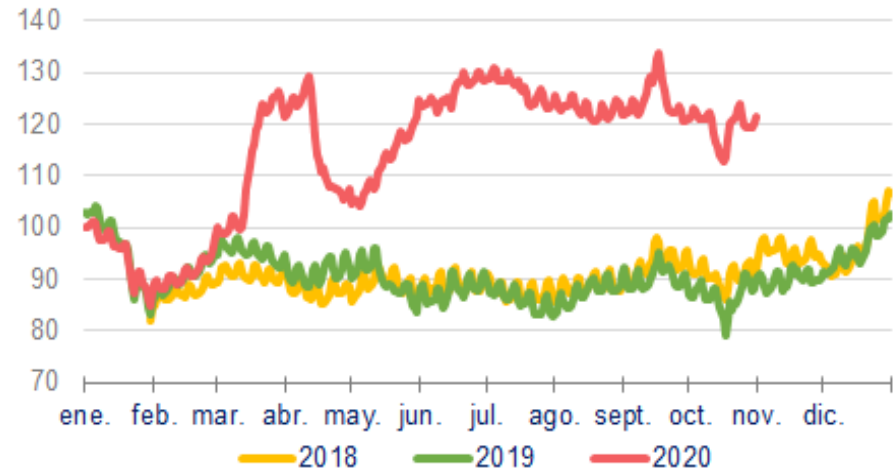
Total purchases*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



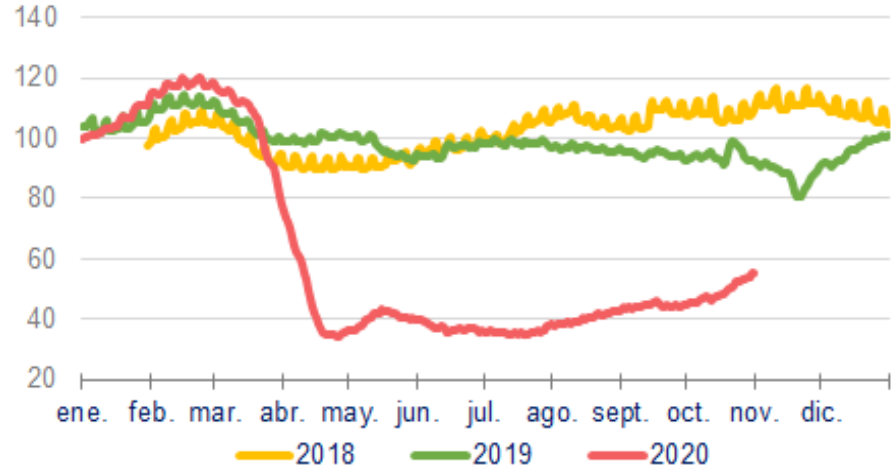
Supermarkets*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



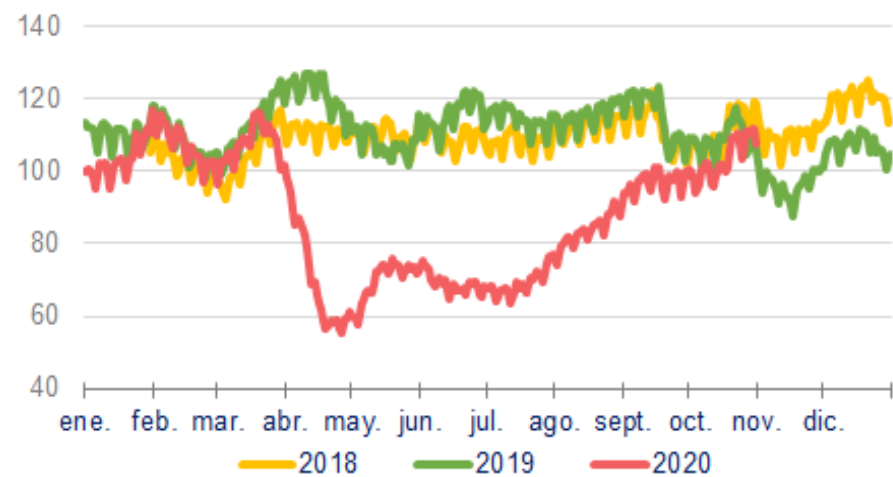
Fuels*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



Drugstores*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)

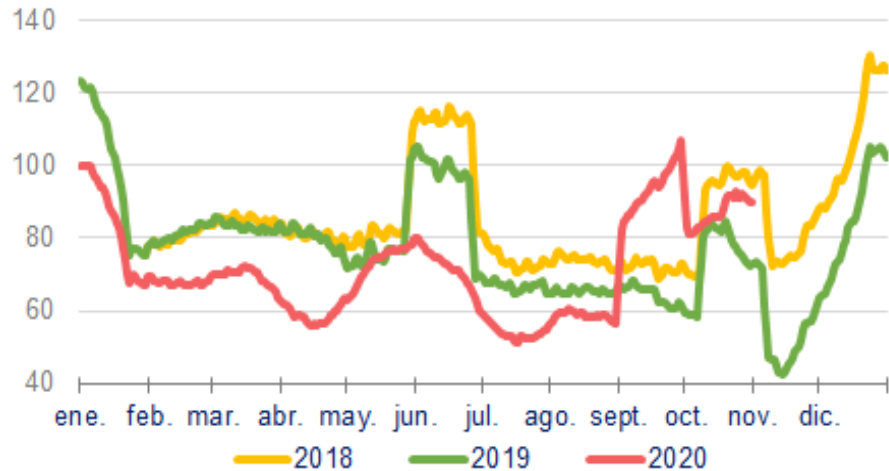


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Strong recovery in Department stores: e-commerce and Cyberday

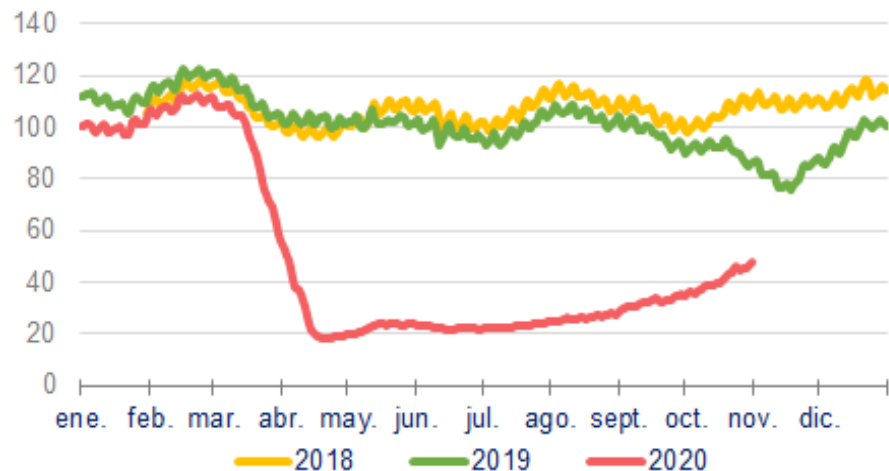
Department stores*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



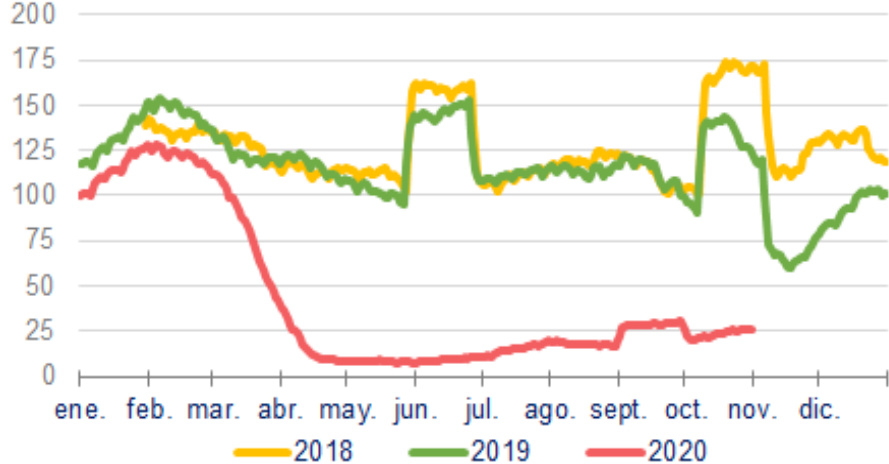
Restaurants*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



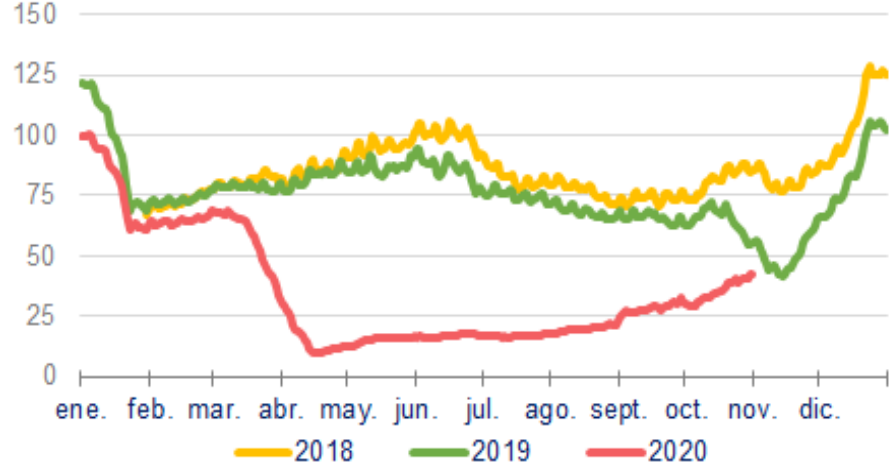
Tourism travel*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



Clothing and footwear*

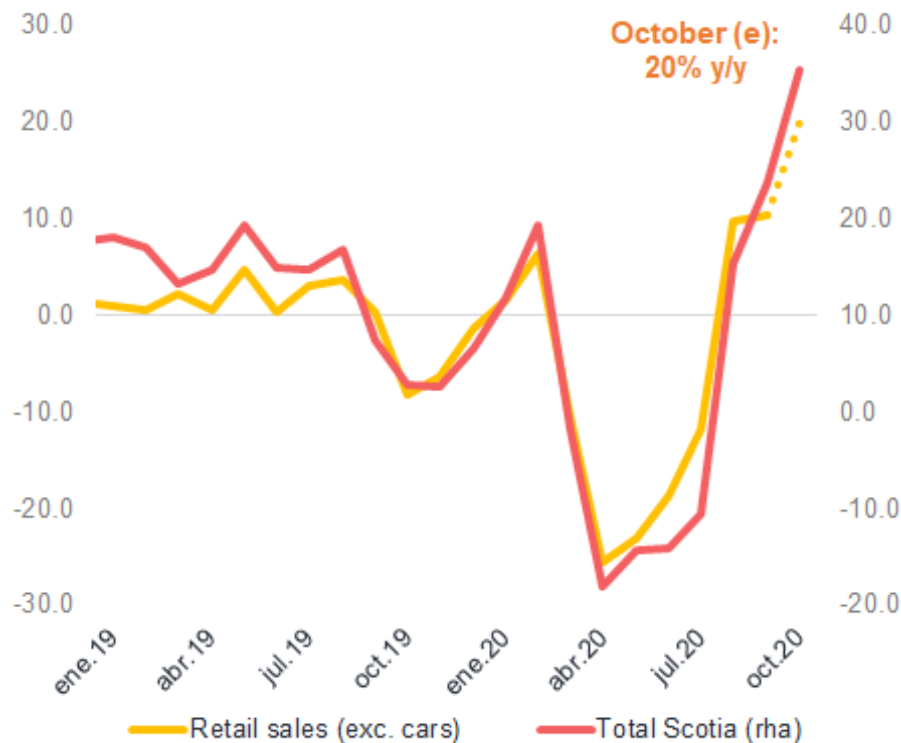
(level, index 1-Jan-2020=100, 30-day moving sum, up to Oct. 31)



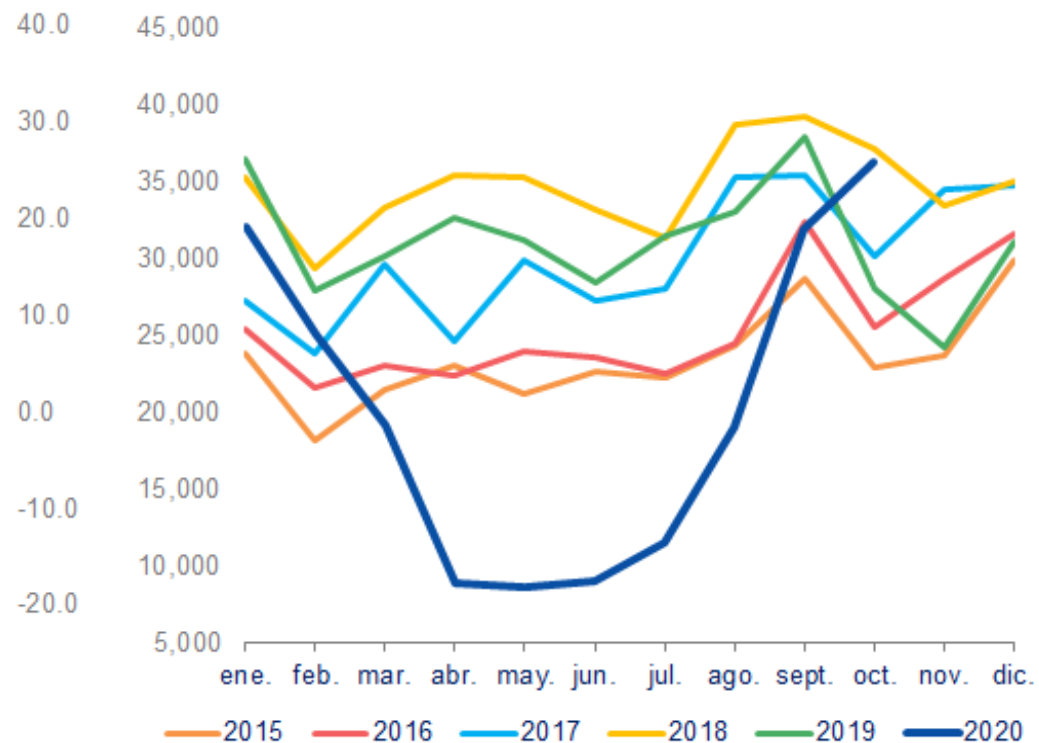
* Data show purchases with Scotiabank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index. Source: Scotiabank Economics

Retail sales: we forecast +20% y/y increase in October, due to strong injection of liquidity, last year's poor performance and recovery in car sales (36,243; +29.3% y/y).

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



New car sales
(units per month)

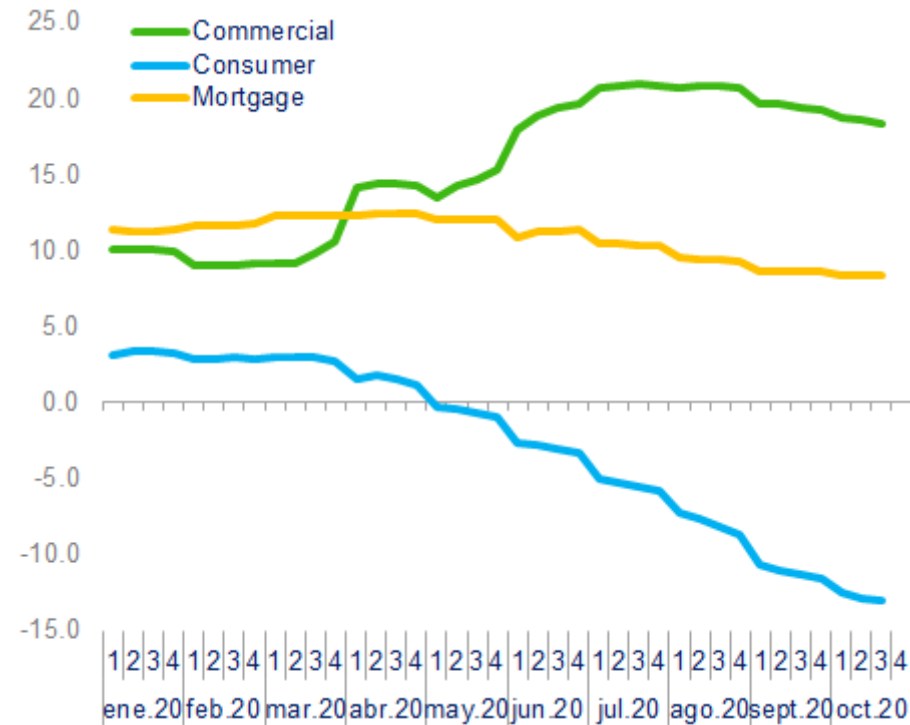


** This figure compares the INE's monthly retail sales indicator with our data on total purchases with credit & debit cards reported in previous slides.
Source: National Bureau of Statistics (INE), Scotiabank Economics

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

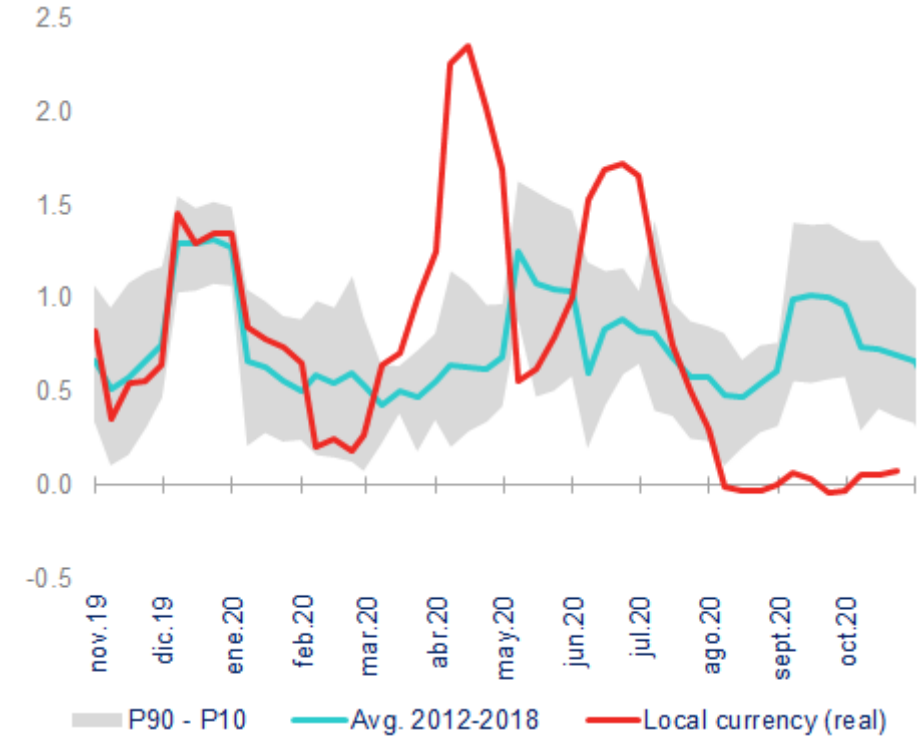
Loans in local currency

(percentage, real annual growth, weekly data)



Monthly dynamism of total loans

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

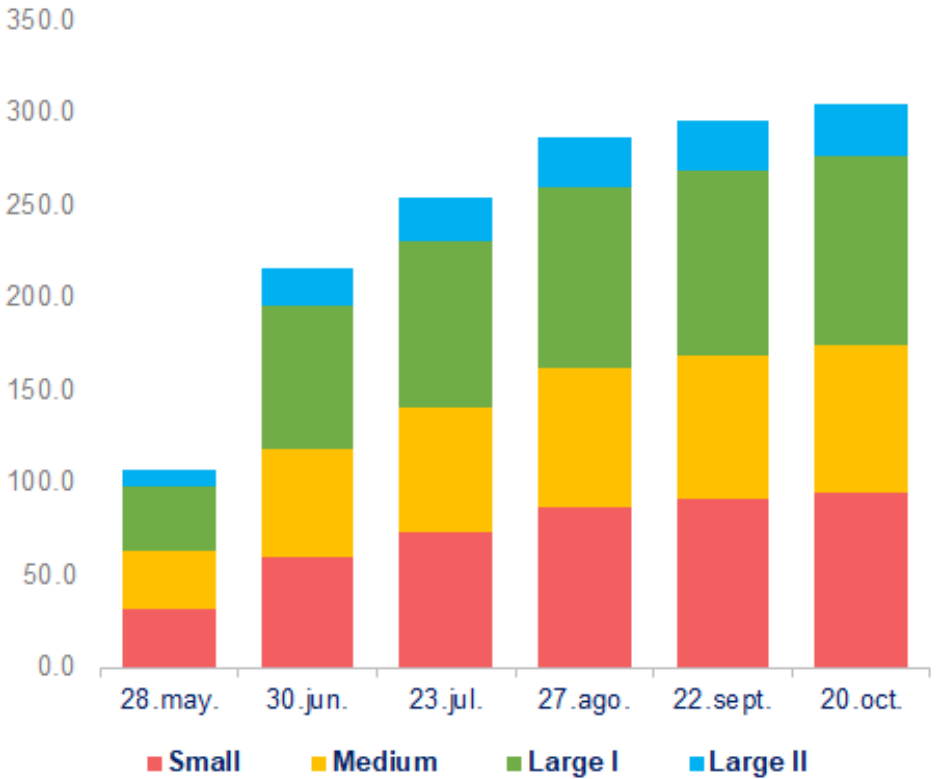


Source: Central Bank, Scotiabank Economics

State guaranteed Covid-19 credits (FOGAPE)

Amount of credits by firm size

(millions of UF, up to October 20)



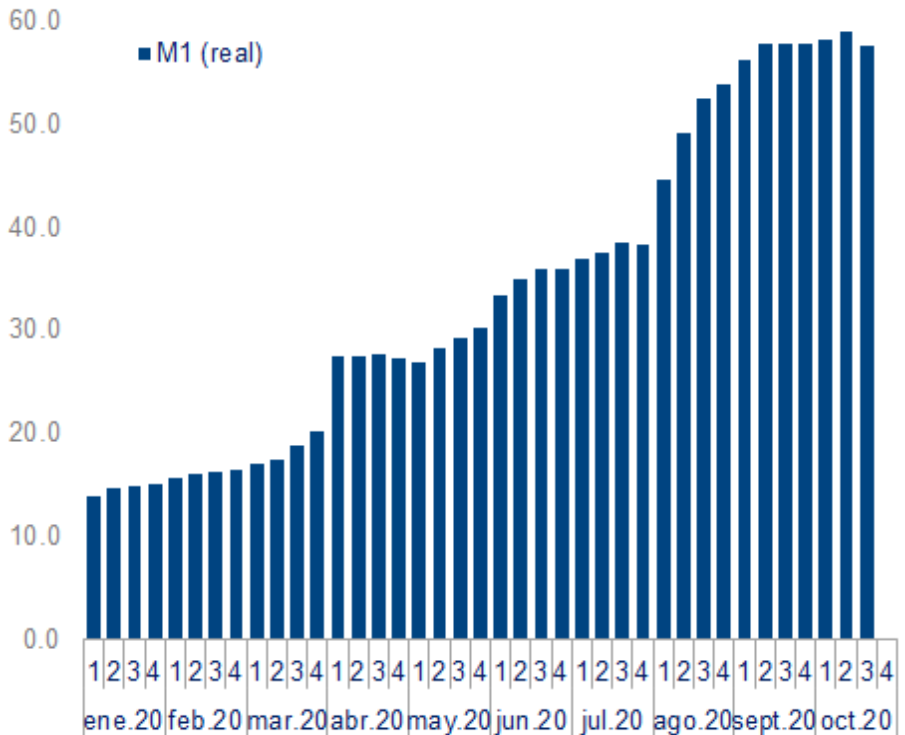
FOGAPE loans	May	June	July	August	September	October
% of total commercial loans	3.4%	6.8%	8.0%	8.8%	9.0%	9.3%

[See the complete report](#)
 Source: Ministry of Finance, CMF, Scotiabank Economics

Expansion of liquidity stabilizes at highs

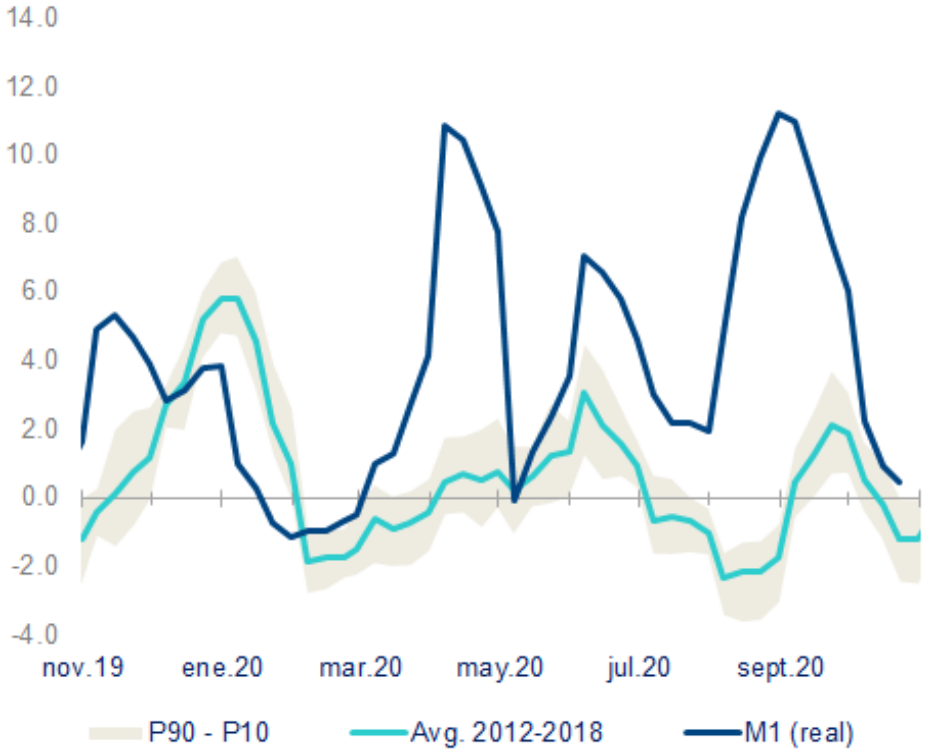
Money aggregate (M1)

(percentage, real annual growth, weekly data)



Monthly dynamism of M1

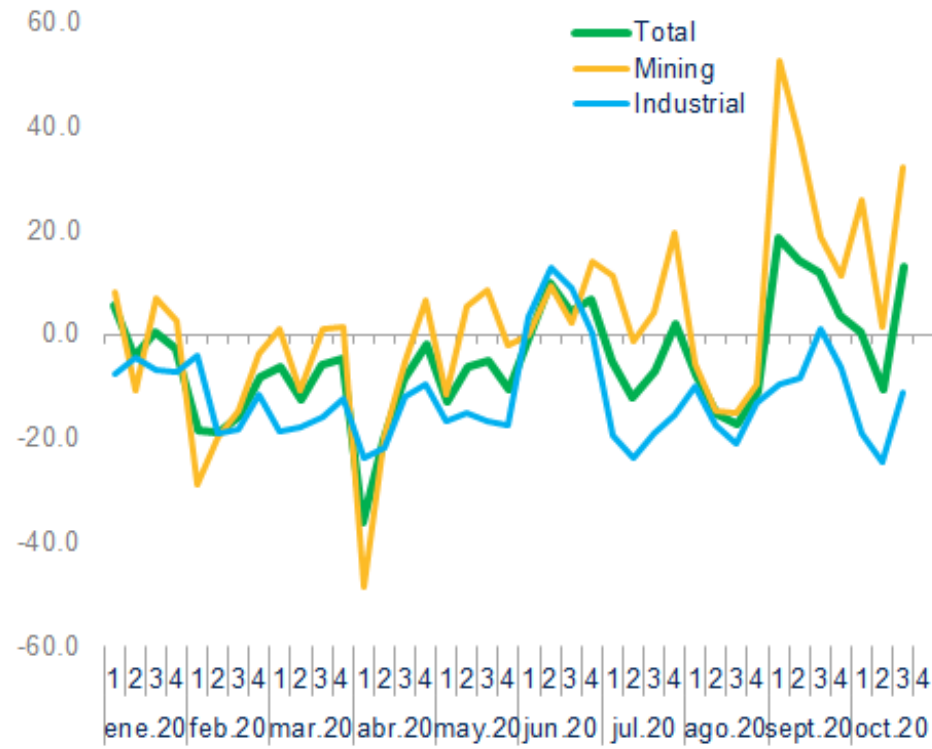
(percentage, real monthly growth, weekly data)



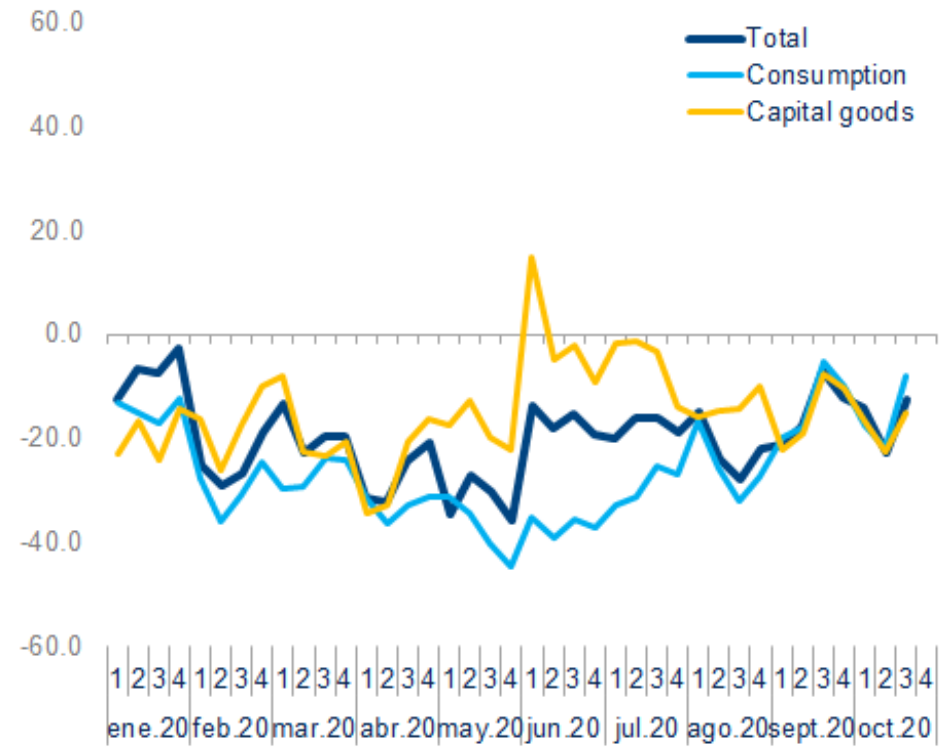
Source: Central Bank, Scotiabank Economics

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

Exports by the 3rd week of Oct.: +12.9% y/y
 (percentage, annual growth, weekly data, acumm. in the month)



Imports by the 3rd week of Oct.: -12.4% y/y
 (percentage, annual growth, weekly data, acumm. in the month)

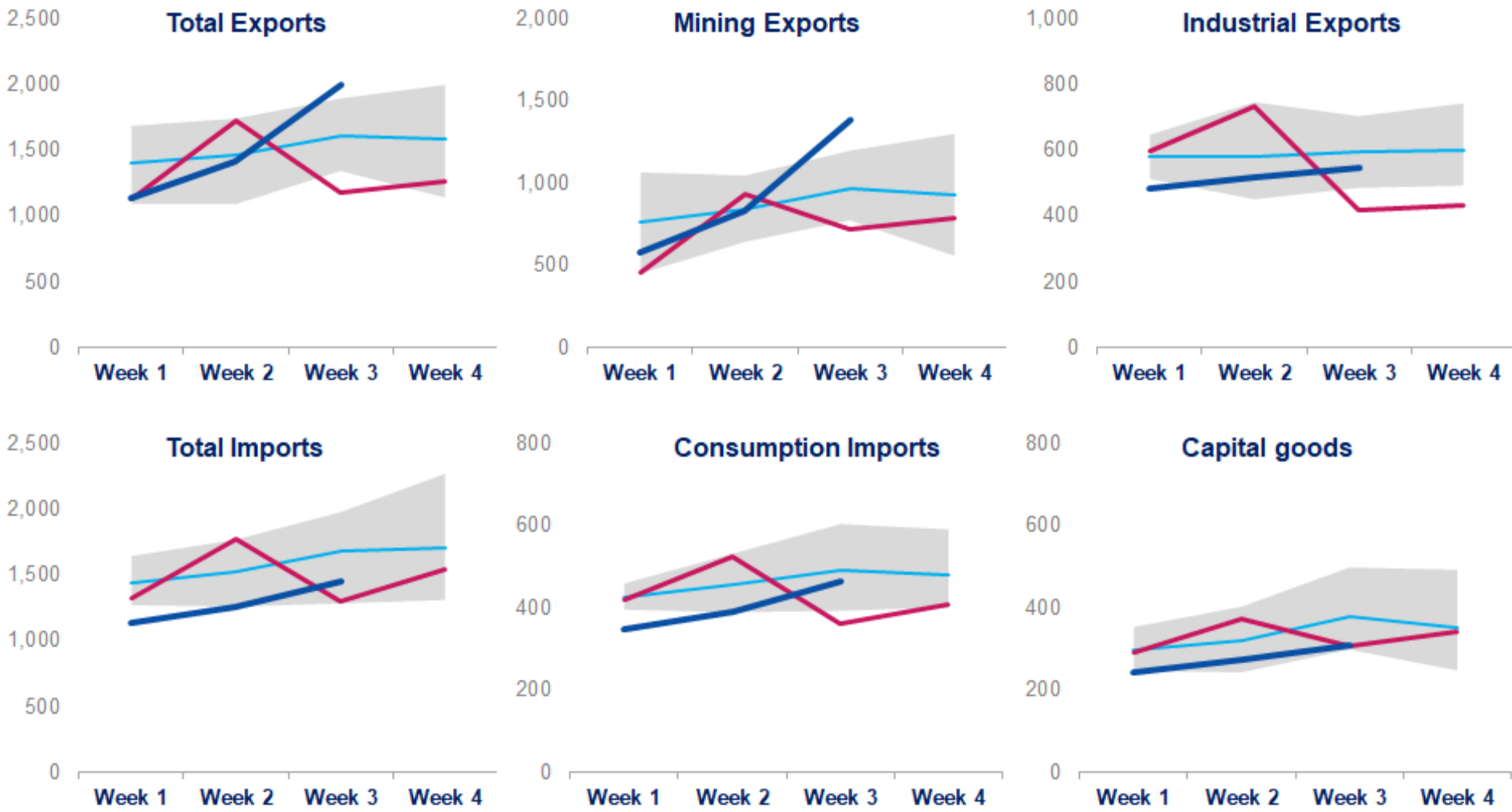


Source: Central Bank, Scotiabank Economics

Clear signs of recovery in exports and imports (ex-capital goods)

Weekly flow of Exports and Imports in October

(level, USD millions per week)

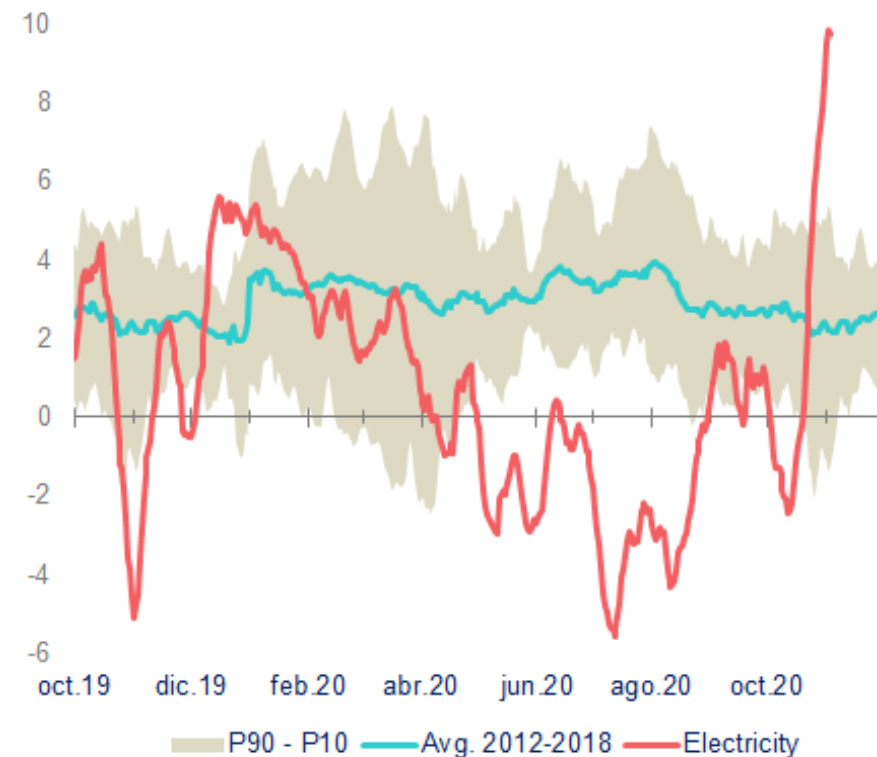


P90 and P10 represent the 90th and 10th percentile.
Source: Central Bank, Scotiabank Economics

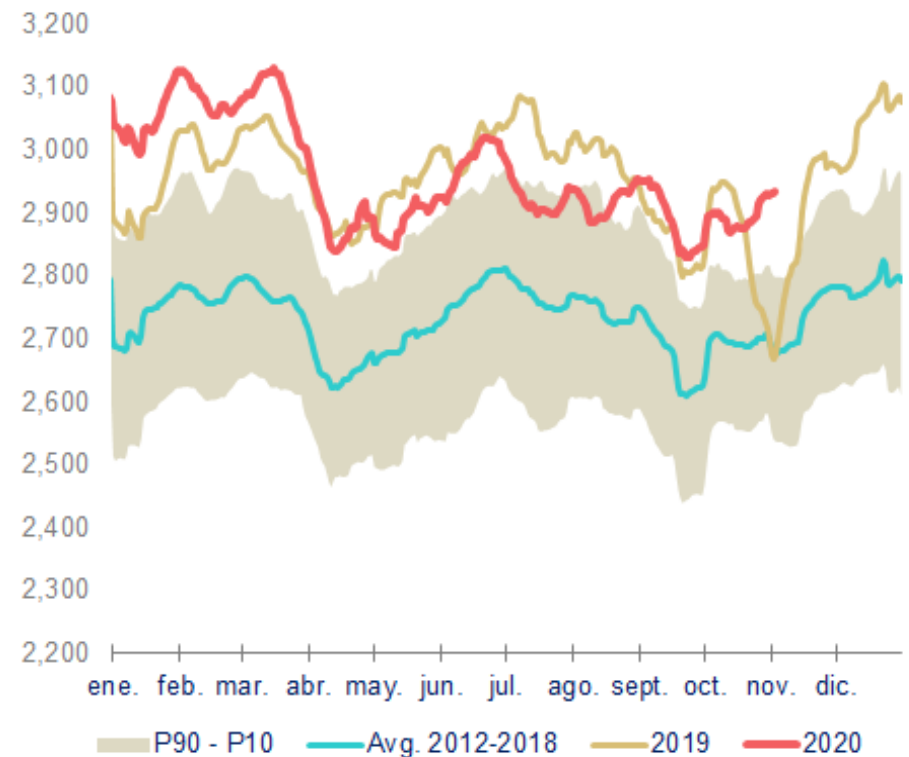
P90 - P10
 Avg. 2011-2019
 Oct.19
 Oct.20

Higher demand for electricity reveals progress in the reopening of the economy – around 86% 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 3)



Level of electricity generation
(percentage, annual growth, 14-day accum., up to November 3)

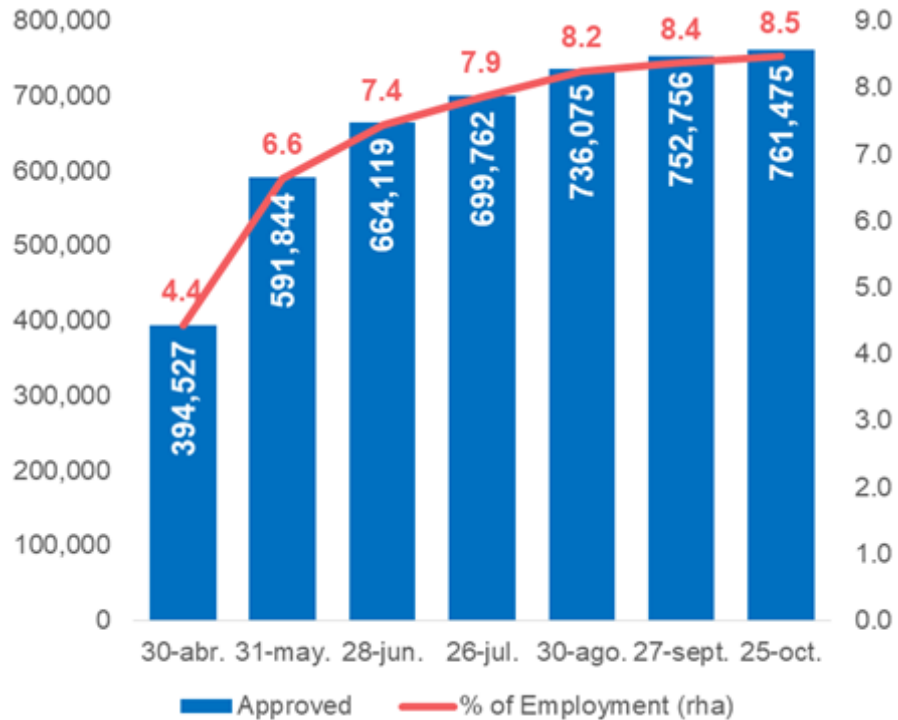


P90 and P10 represent the 90th and 10th percentile.
Source: *Coordinador Eléctrico*, Scotiabank Economics

Employment Protection Plan: the more cyclical, the more affected

Approved requests

(number of employees, % of total employment)



Approved requests by sector

(up to October 11, Law 21.227)

Sector	Number	% total	% of sectoral employment
Agriculture	7,354	1.0	1.1
Mining	2,144	0.3	0.9
Manufacturing	71,104	9.3	8.3
Elect. and gas	1,187	0.2	2.5
Water and waste	986	0.1	1.7
Construction	164,151	21.6	20.6
Commerce	176,682	23.2	10.3
Transport	40,165	5.3	6.8
Food and accomm.	122,448	16.1	27.0
Communications	10,136	1.3	6.6
Financial act.	6,998	0.9	4.0
Real estate act.	7,447	1.0	8.9
Professional act.	30,645	4.0	9.4
Administrative act.	47,704	6.3	20.9
Public Adm.	98	0.0	0.0
Education	16,374	2.2	2.0
Health	16,319	2.1	2.9
Rec. and culture	14,388	1.9	10.6
Other services	24,416	3.2	8.9
Other activities	729	0.1	0.2
Total	761,475	100.0	8.5

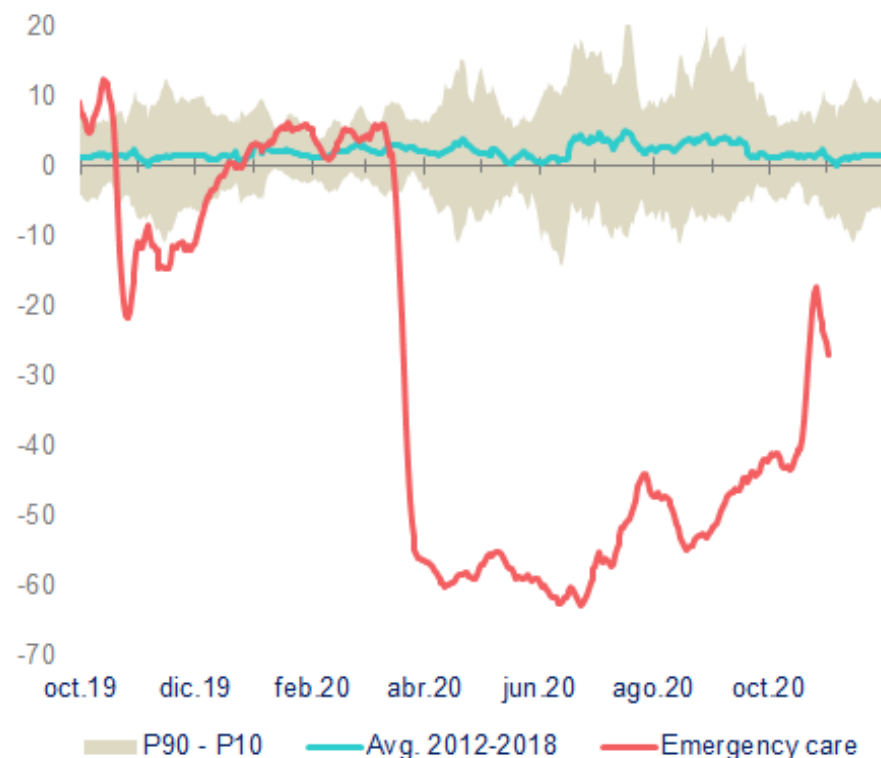
[See the complete report](#)

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

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

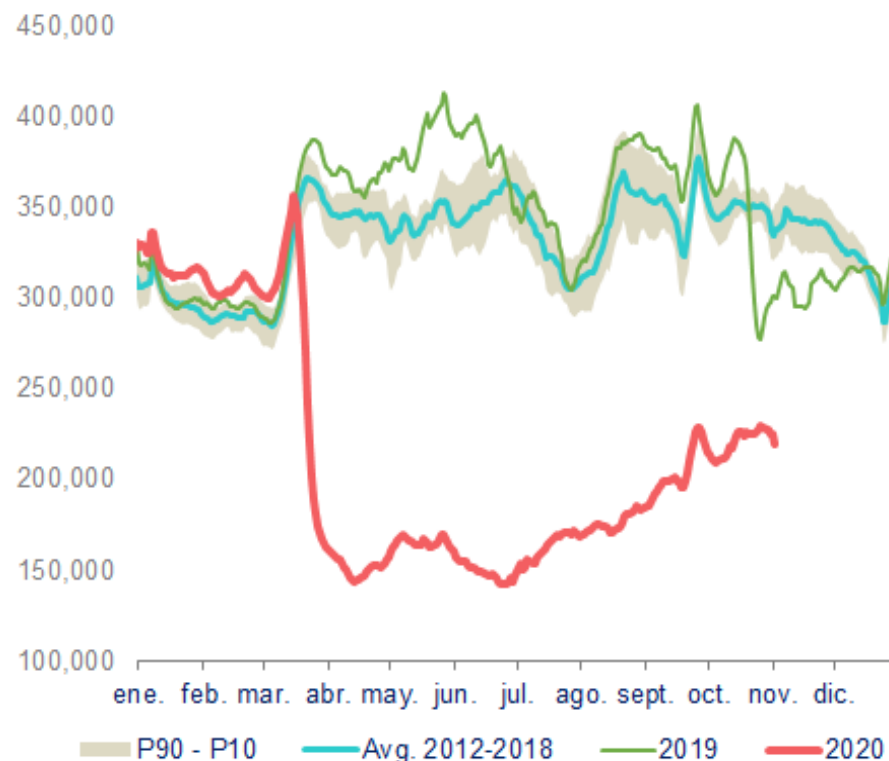
Annual growth in Emergency Care

(percentage, annual growth, 7-day mov. sum, up to November 2)



Number of Emergency Care attentions

(number of daily attentions, 7-day mov. sum, up to November 2)

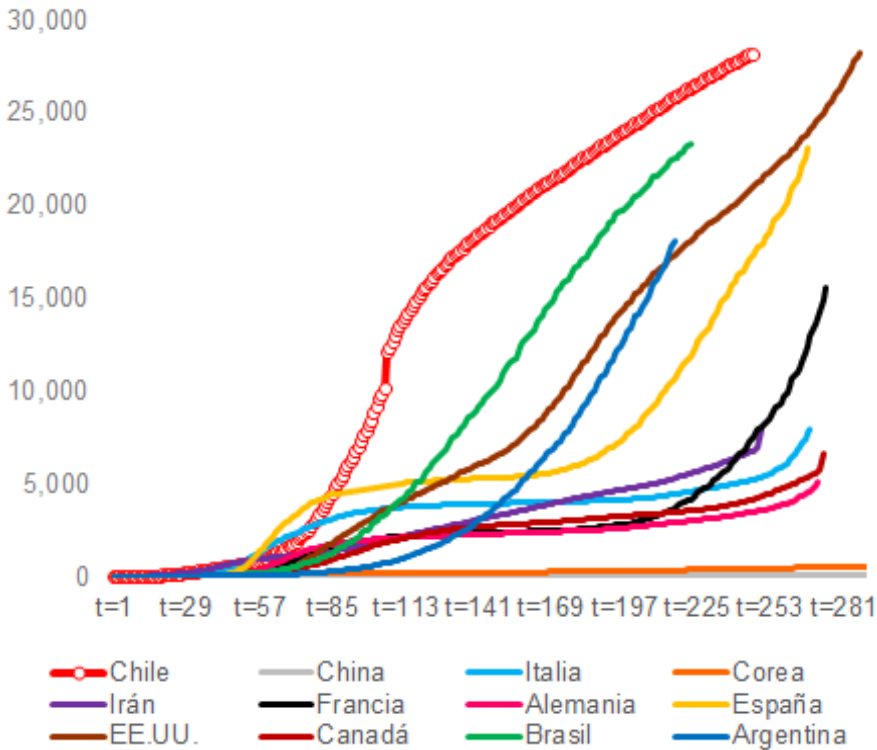


Source: Ministerio de Salud (DEIS), Scotiabank Economics

Situation of Covid-19: stabilization but still at high levels

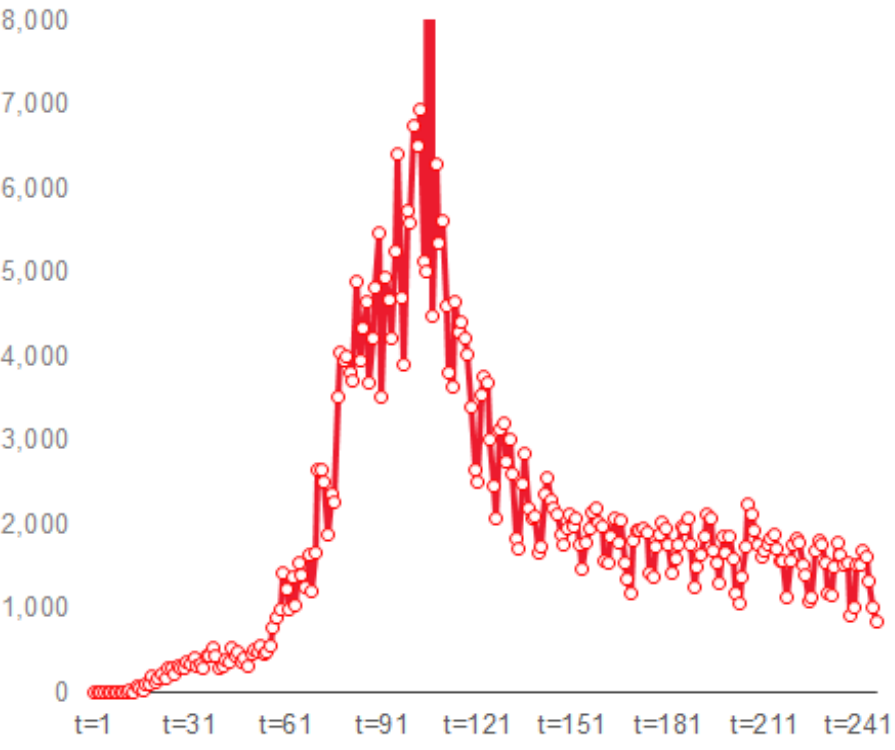
COVID-19, selected countries

(cases/population x 1.000.000, t=1 first case, up to November 3)



New cases COVID-19 in Chile

(number of new cases per day, t=1 first case, up to November 3)

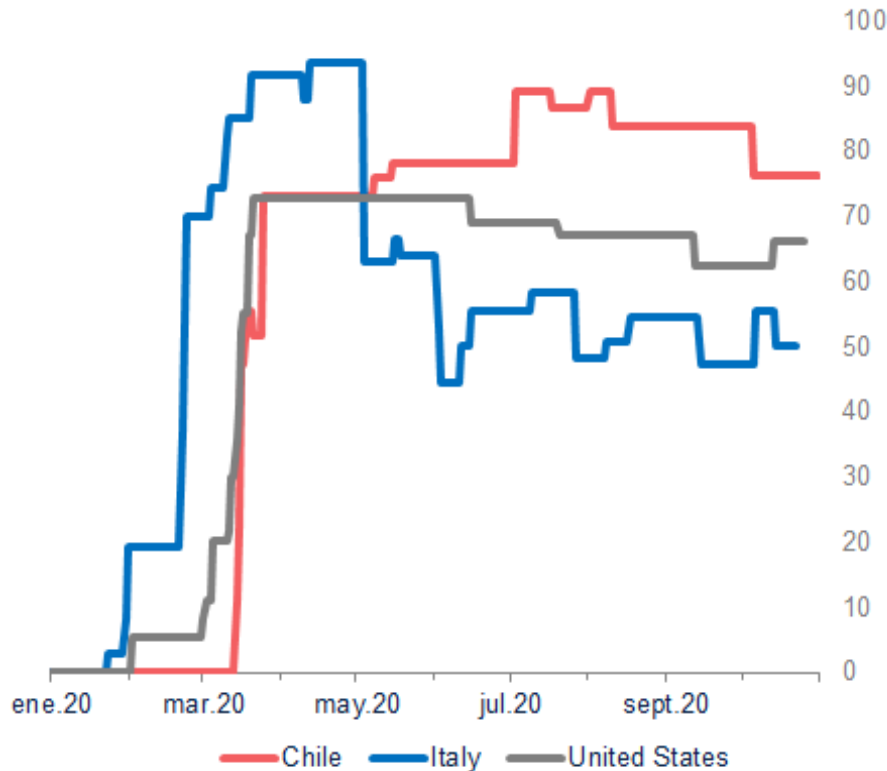


Source: WHO; Ministerio de Salud, Scotiabank Economics

Stringency measures and mobility trends: slowly coming back to the "new normal"

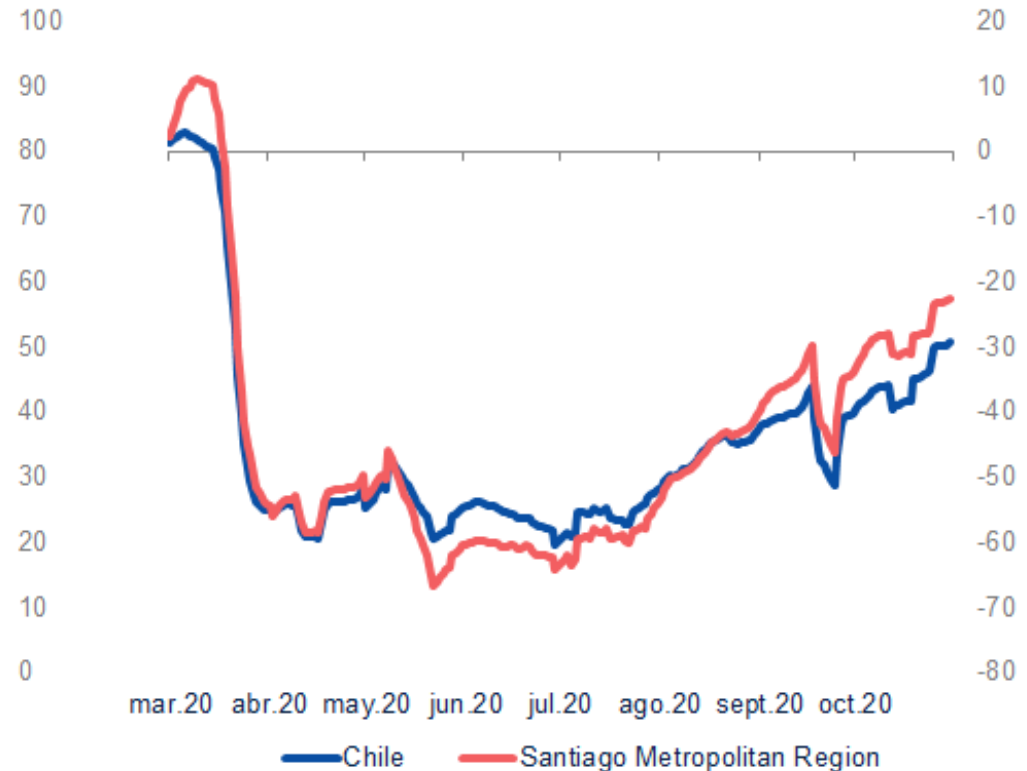
Oxford stringency index*

(index, strictest response=100, up to November 3)



Google mobility trends**

(percentage compared to baseline, 7-day mov. avg, up to Oct. 31)

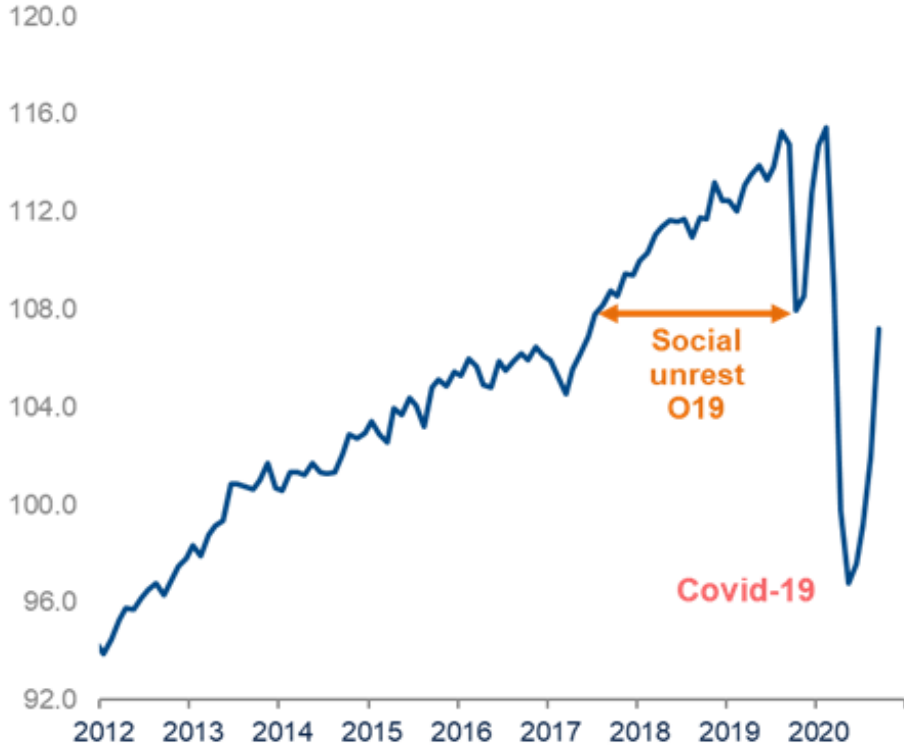


* The **Oxford Stringency Index** is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100.
 ** Google Mobility index: 7-day moving average of Google mobility indices (excludes residential).
 Source: Oxford University, Google Mobility report, Scotiabank Economics

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

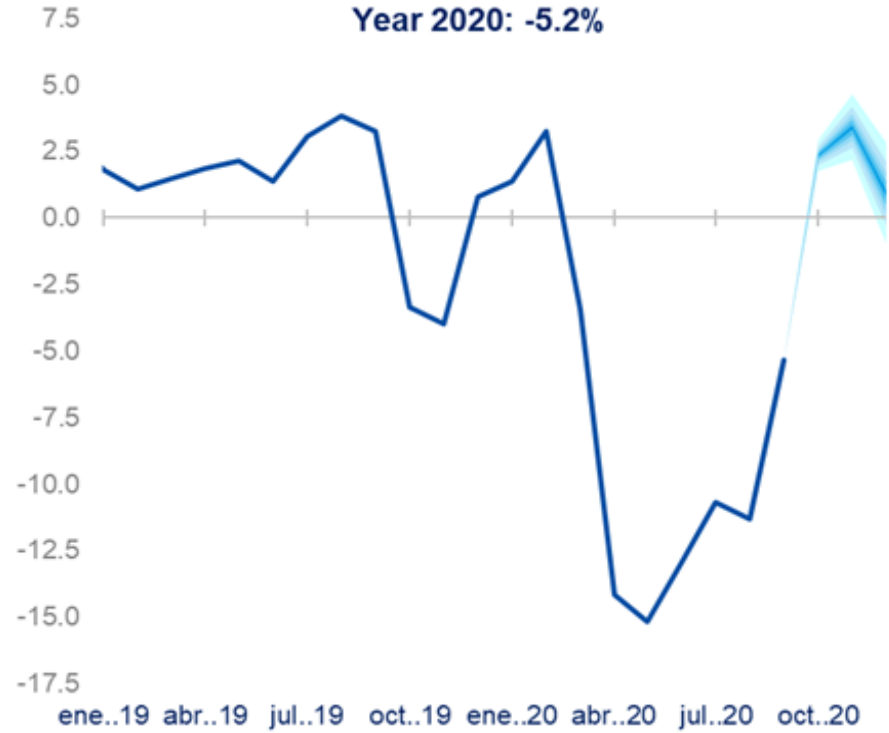
GDP level

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



GDP growth in 2020

(percentage, annual growth, monthly data)



Short run forecasts: growth of monthly GDP	September-20	October-20(f)	November-20(f)
Imacec (% , y/y)	-5.3%	0 to 2%	2 to 3%

Source: Central Bank, Scotiabank Economics

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