

# UNCONVENTIONAL MONETARY POLICY IN COVID TIMES

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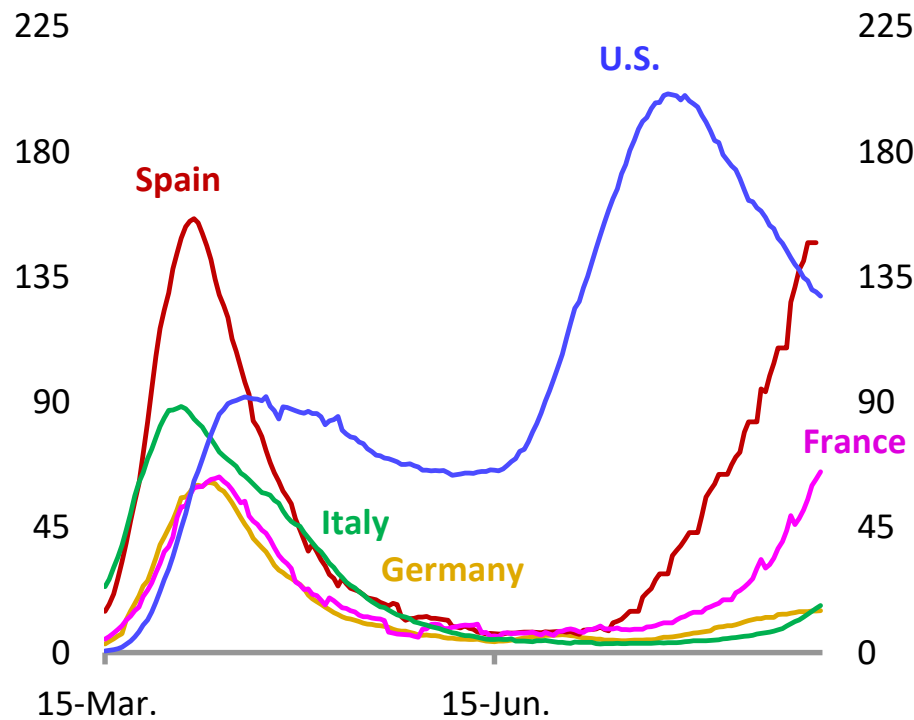
Santander 9th Annual Latin America European Forum, September 4 2020



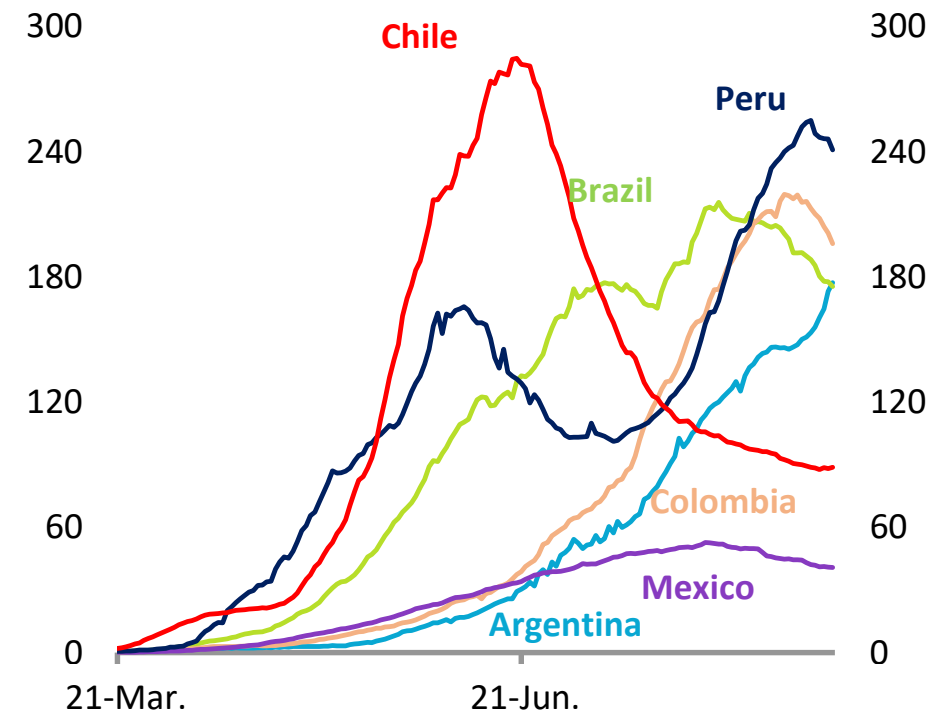
## Daily new confirmed cases of Covid-19 (\*)

(number of persons per million inhabitants)

Selected economies



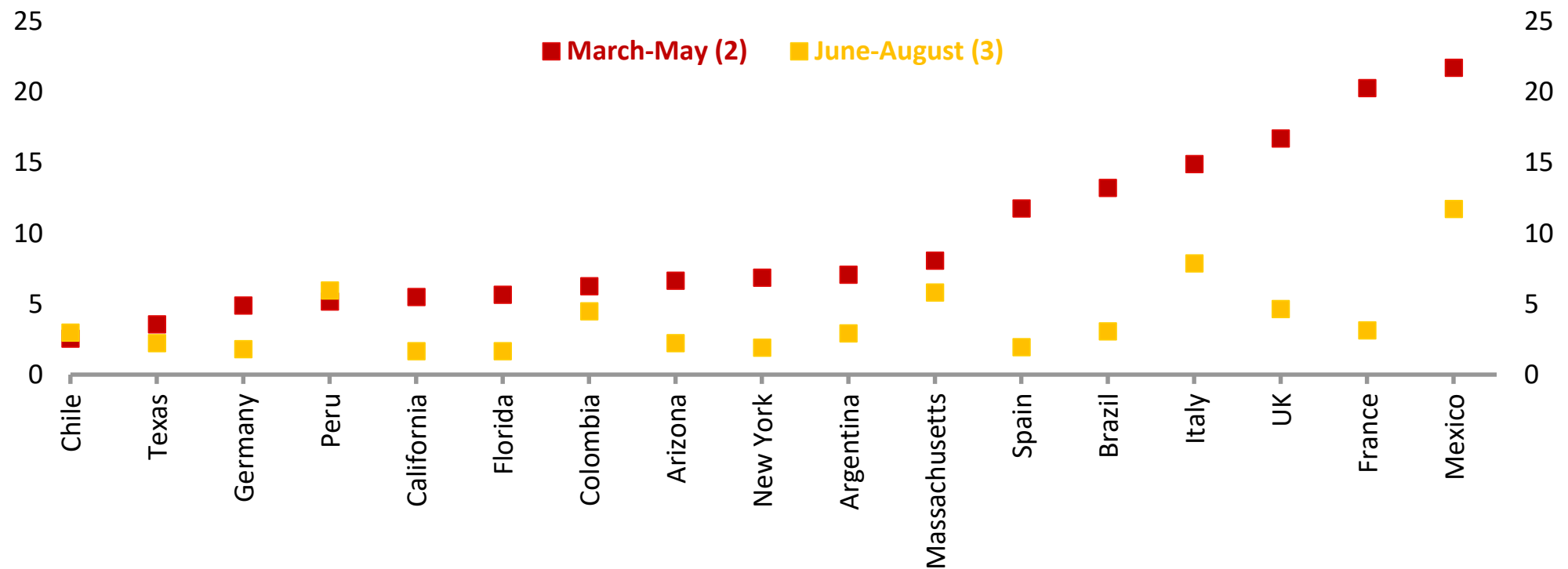
Latin America



(\*) 14-day moving average. Sources: European Centre for Disease Prevention and Control (ECDC) and Chile's Ministry of Health.



## Mortality rate (1) (percent)



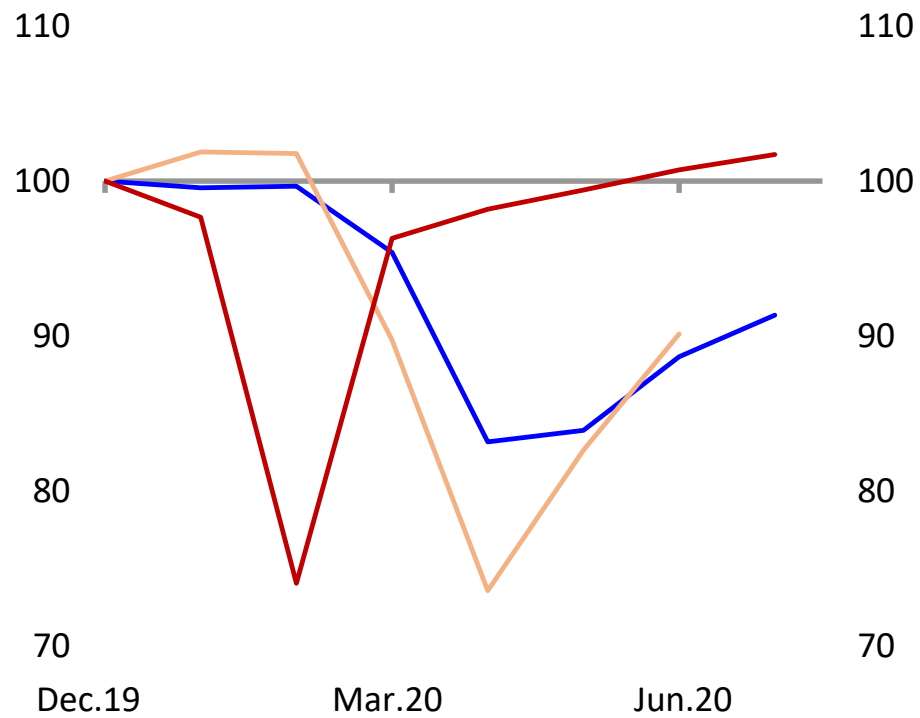
(1) Mortality rate is calculated as the ratio of deaths to cases detected by tests. (2) Cumulative deaths since the first death registered until 31 May divided by cases since the first case recorded until 16 May. (3) Cumulative deaths between 31 May and 25 August divided by cases between 16 May and 10 August. Source Central Bank of Chile using information from Our World in Data, The Covid Tracking Project, and Chile's Ministry of Science, Technology, Knowledge and Innovation.



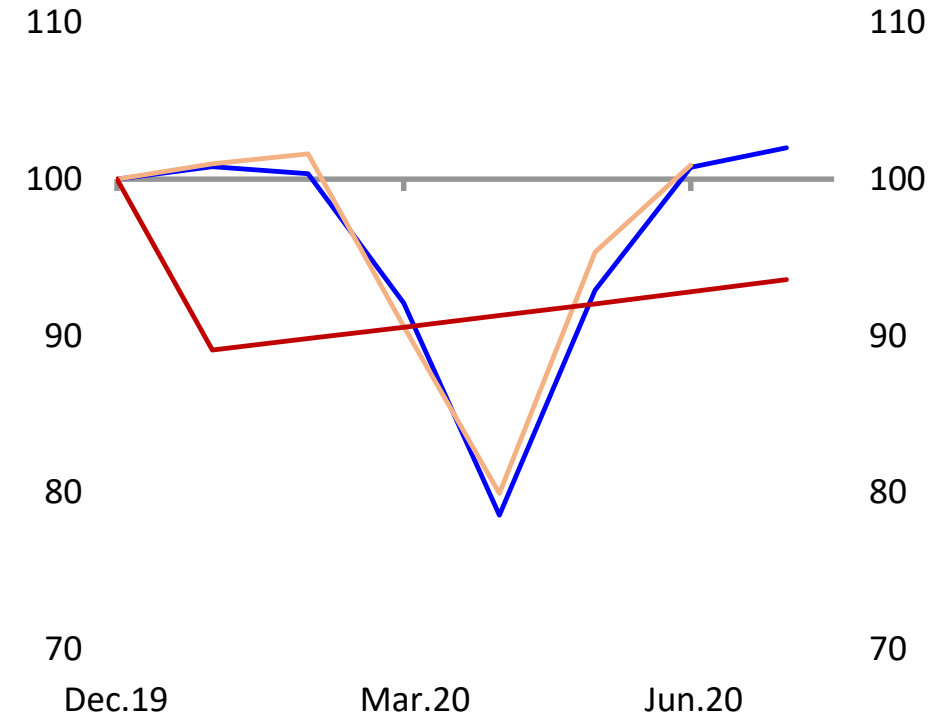
## Global Activity Indicators

(index, December 2019=100, deseasonalized series)

### Manufacturing output (1)



### Retail sales (2)

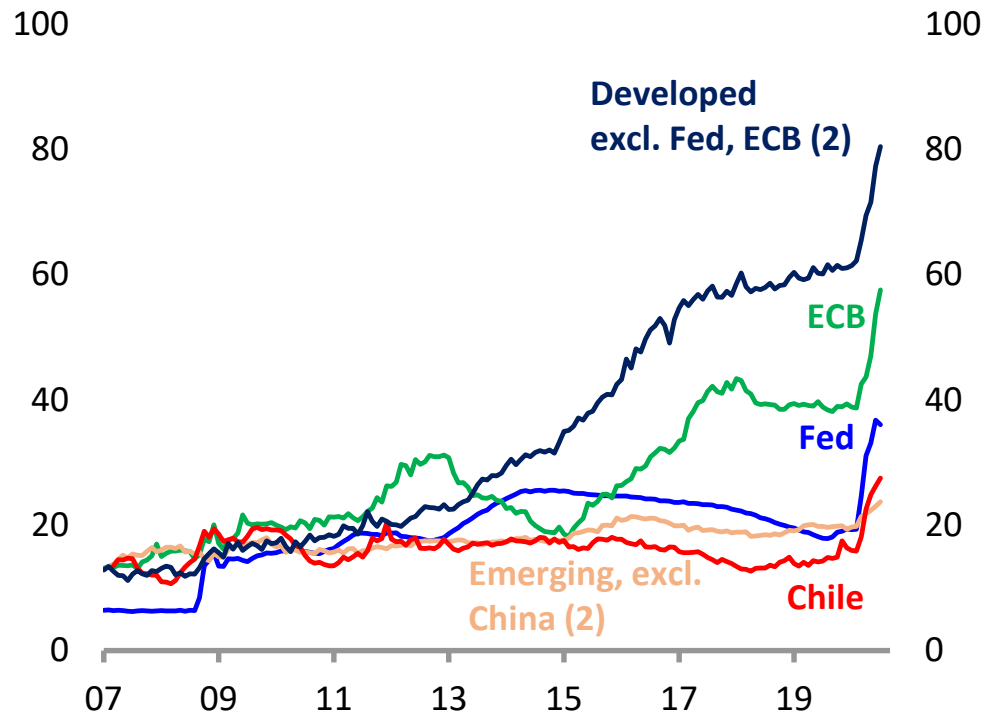


— China — U.S. — Eurozone

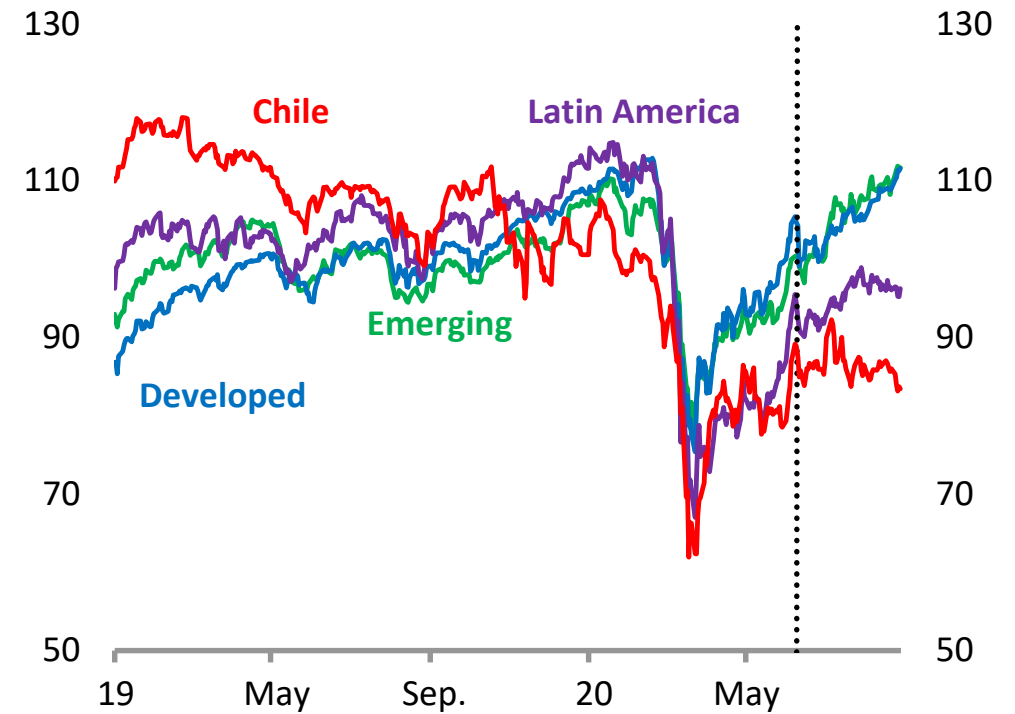
(1) Real series. (2) Nominal series. Sources: Bloomberg and Eurostat.



## Central banks' balance sheets (1) (percent of GDP)



## Stock markets (3) (4) (index, 2019-2020 = 100)

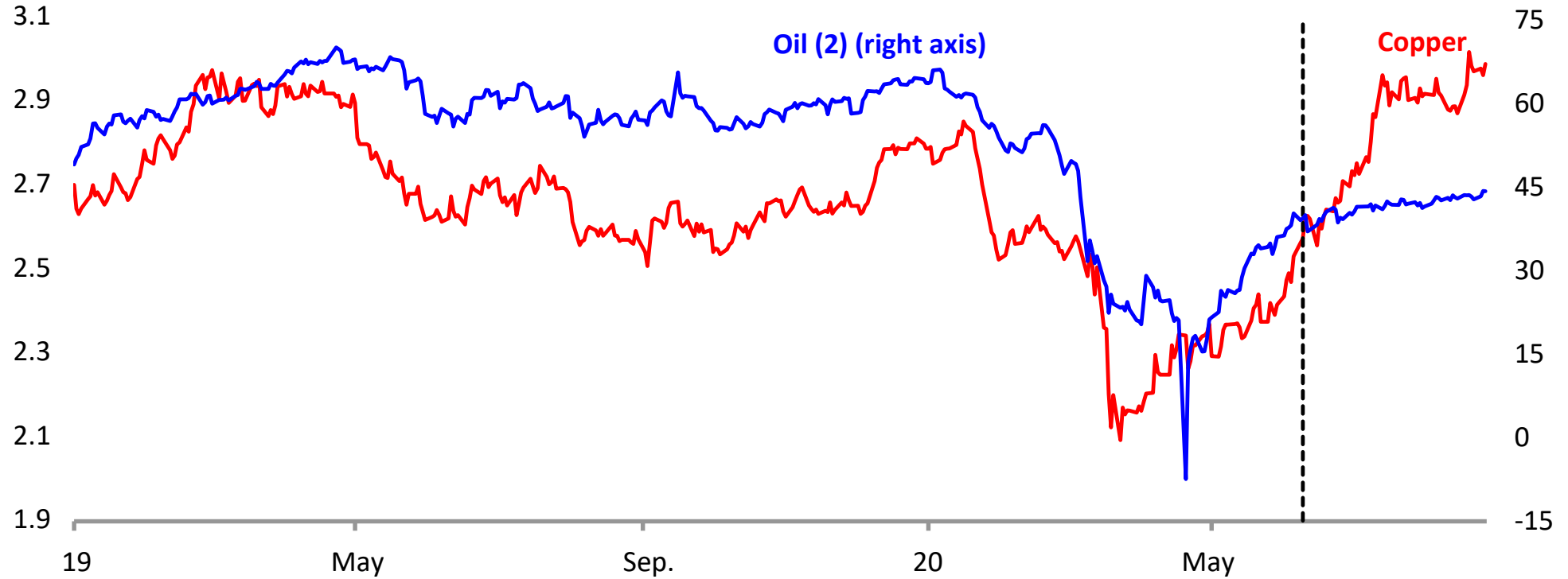


(1) The GDP calculation uses a moving four-quarter window. (2) Considers England, Japan, Canada and Switzerland. (3) Considers Brazil, India, Mexico and South Africa. (4) Stock indexes by region measured in local currency by Morgan Stanley Capital International. IPSA stock index used for Chile. (5) Dotted vertical line marks statistical cutoff date for the June 2020 Monetary Policy Report. Sources: Bloomberg and central banks.



## Commodity Prices (1)

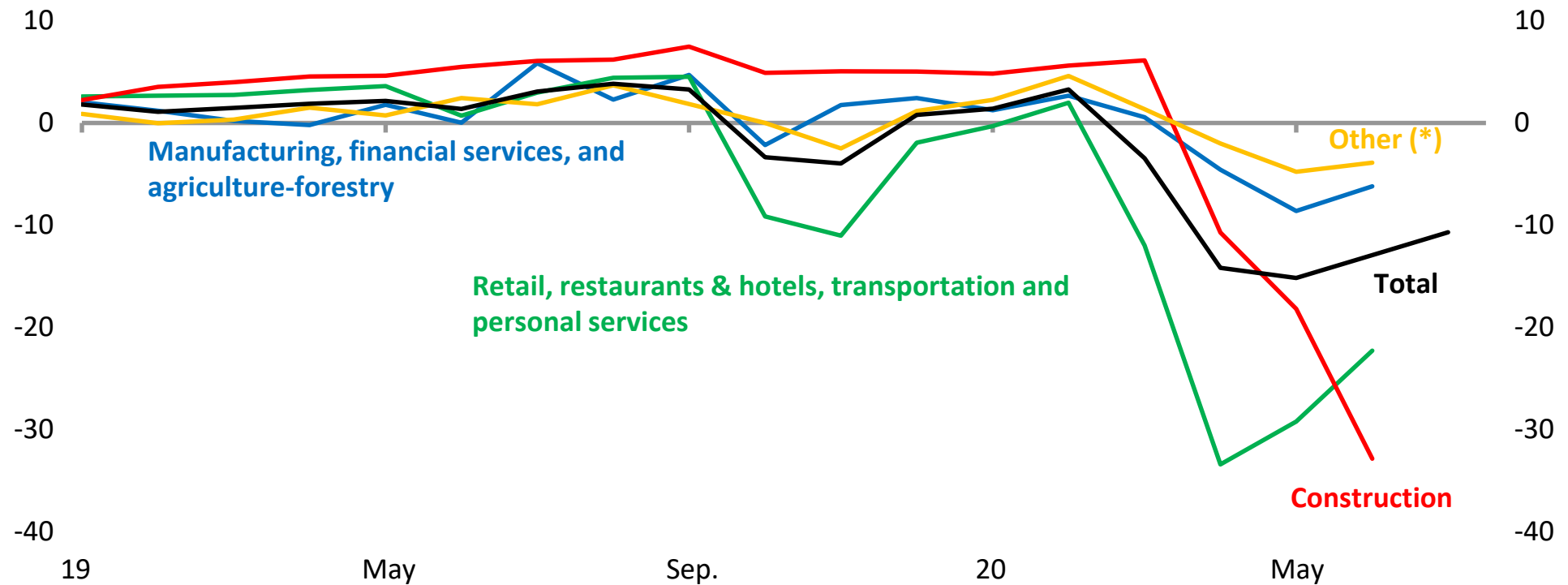
(dollars per pound; dollars per barrel)



(1) Dotted vertical line marks statistical cutoff date for the June Monetary Policy Report. (2) Simple average between Brent and WTI. Source: Bloomberg.



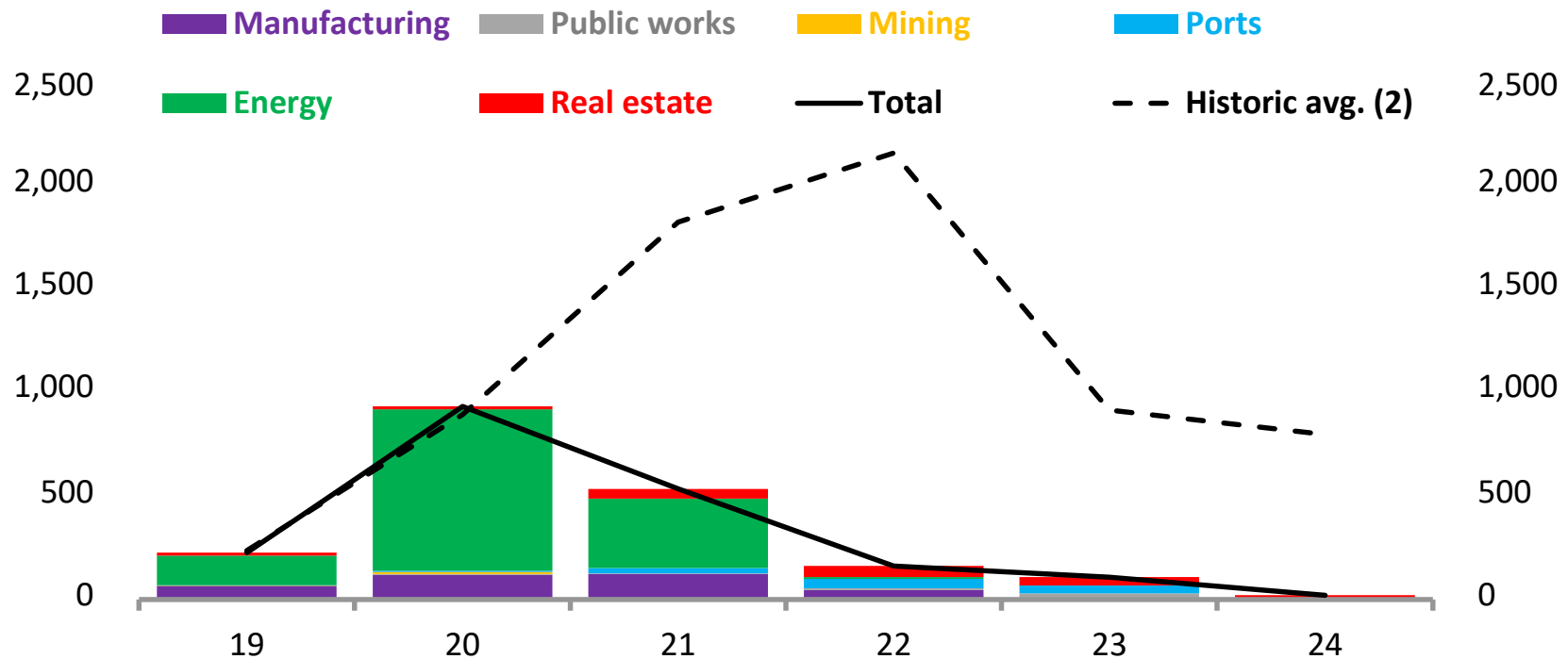
## Sectoral GDP in Chile (annual change, percent)



(\*) Considers Fishery, Electricity, gas, water, and waste management, Mining, Communications and information services, entrepreneurial services, Housing and real-estate services, and Public administration. Source: Central Bank of Chile.



## Investment prospects (1) (USD million)



(1) New Project amounts with respect to previous survey. (2) Average from 2009 to 2020.

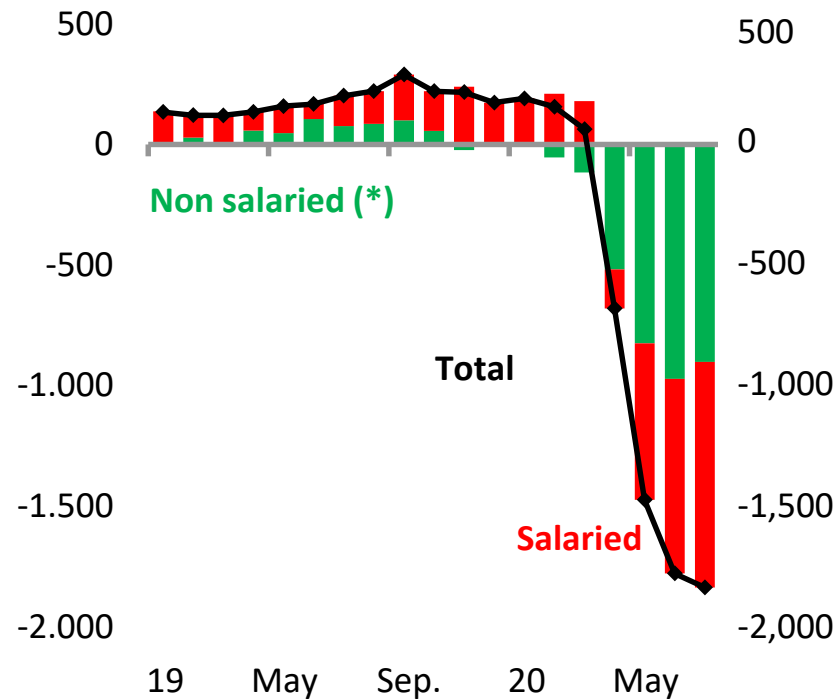
Source: Investment Survey of Capital Goods Corporation and Government of Chile.



## Labor Market indicators in Chile

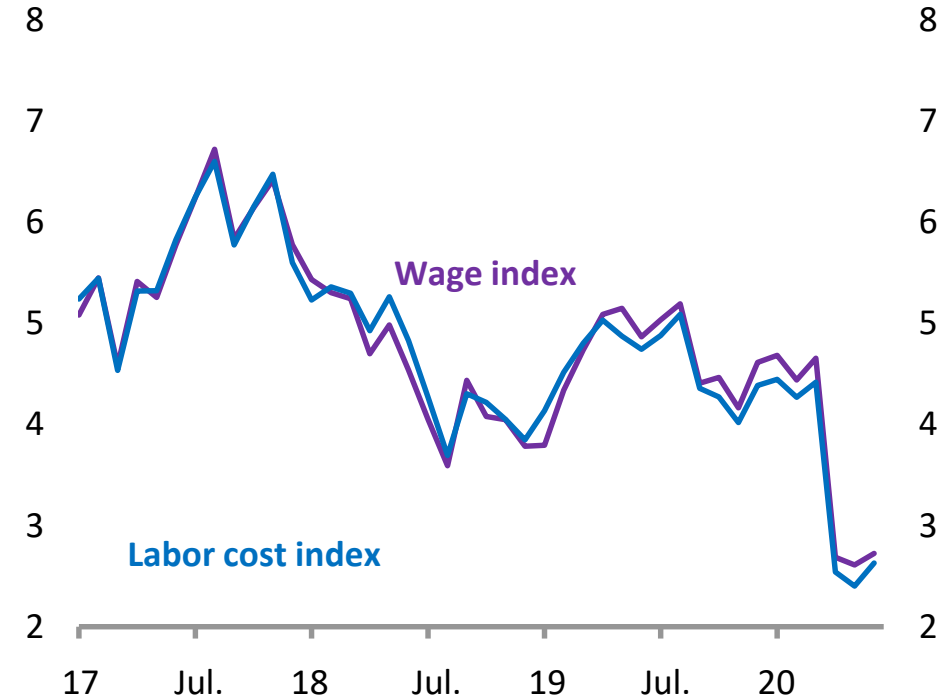
### Employment by occupational category

(y-o-y difference, thousand persons)



### Nominal wages

(annual change, percent)

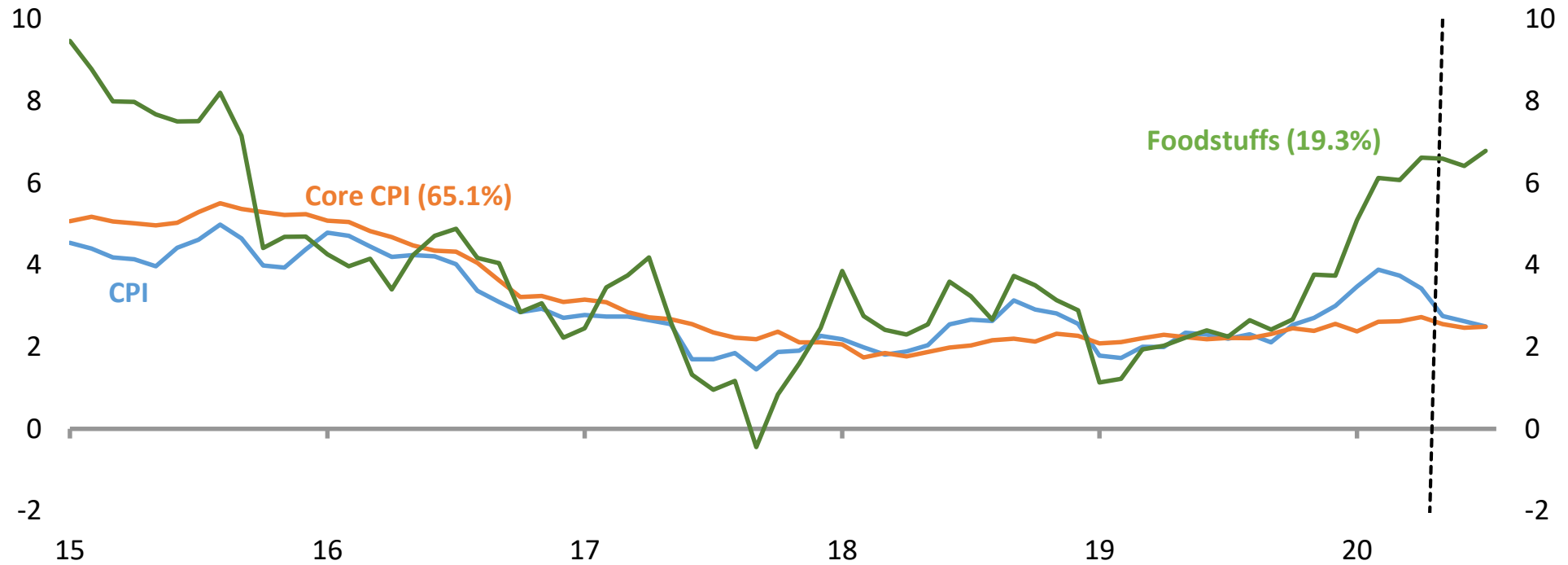


(\*) Includes self-employed workers, employers, household help, and non-remunerated household work.

Source: National Statistics Institute (INE).



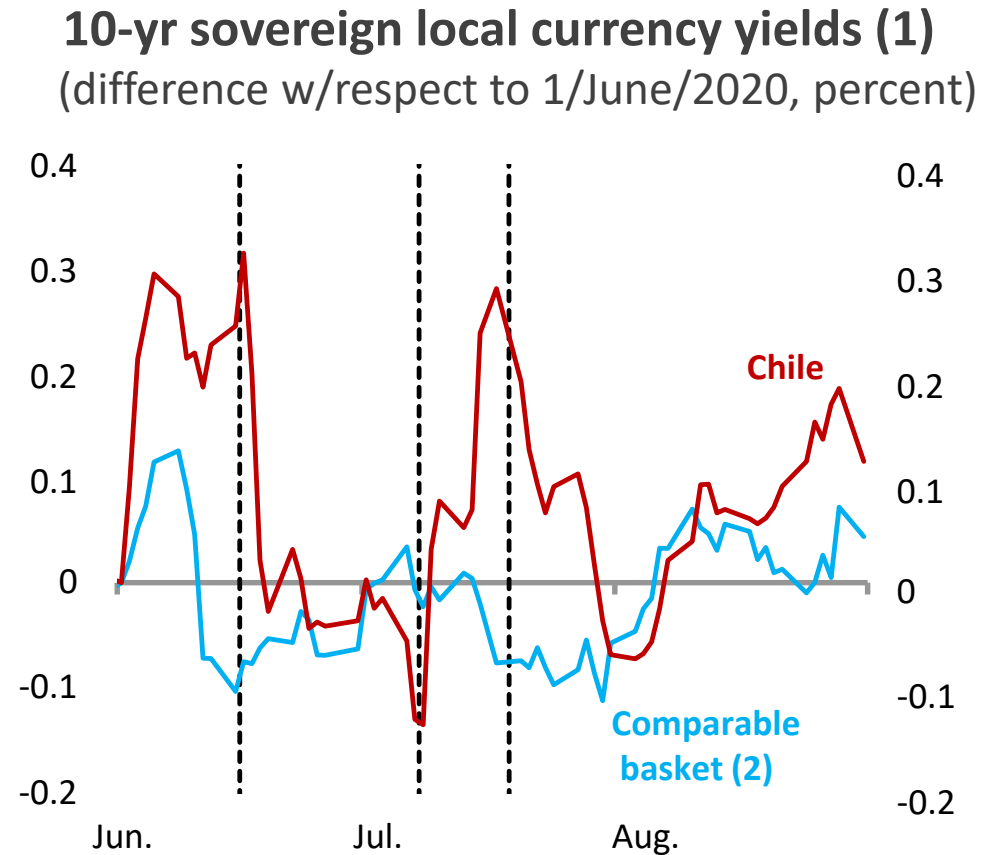
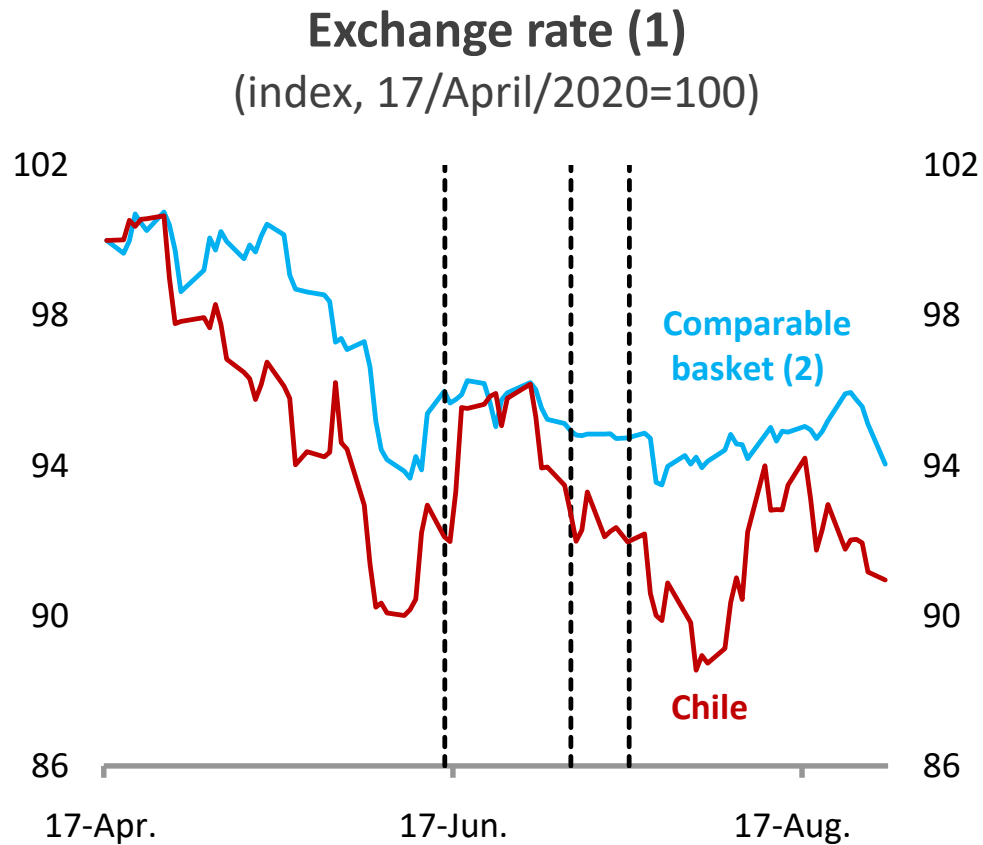
## Inflation indicators (1) (2) (annual change, percent)



(1) Dashed vertical line marks statistical cutoff date for the June Monetary Policy Report. (2) In parentheses, shares in total CPI basket. Sources: Central Bank of Chile and National Statistics Institute (INE).



## Recent Financial Market fluctuations



(1) Vertical lines from left to right mark the dates of: the June monetary policy meeting (June 16), approval in Congress of 10% of pension savings (July 8), and first announcements of stabilizing policies by the Central Bank of Chile (July 20). (2) The basket of comparable economies is made up of a combination of Latin American assets and commodity exporters (Australia, Brazil, Colombia, Mexico, New Zealand and Peru). Source: Bloomberg.



## POLICIES ADOPTED BY THE CENTRAL BANK OF CHILE:



MPR%

### Forward guidance on monetary policy

- *MPR at technical minimum for extended period of time*



### Liquidity injection

- *REPO and FX Swap programs*
- *Foreign currency sales*
- *Liquidity regulations and reserve requirements relaxed*
- *Cash purchase and forward sale (CC-VP)*
- *Purchase of term deposits*



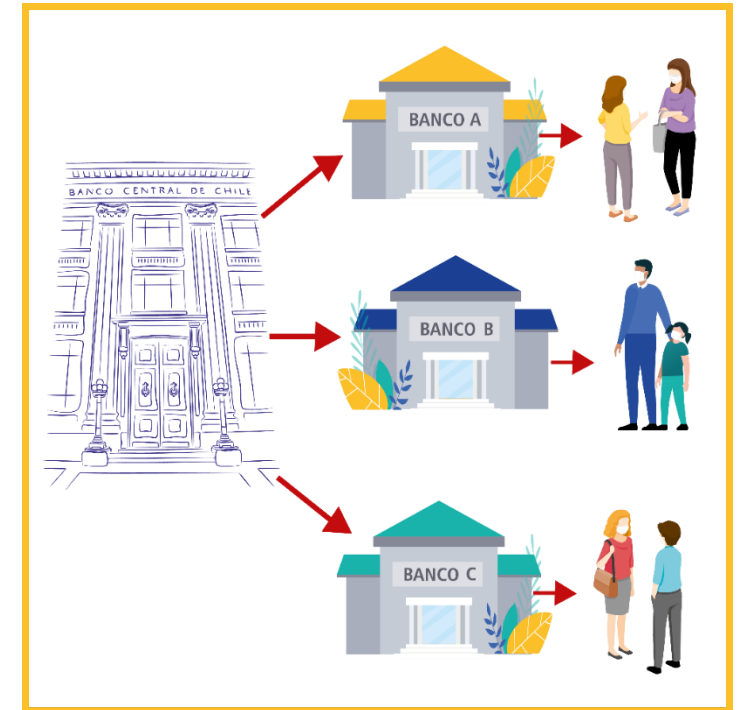
### Cash flow provision

- *Normal operation of cash flows following WHO recommendations*



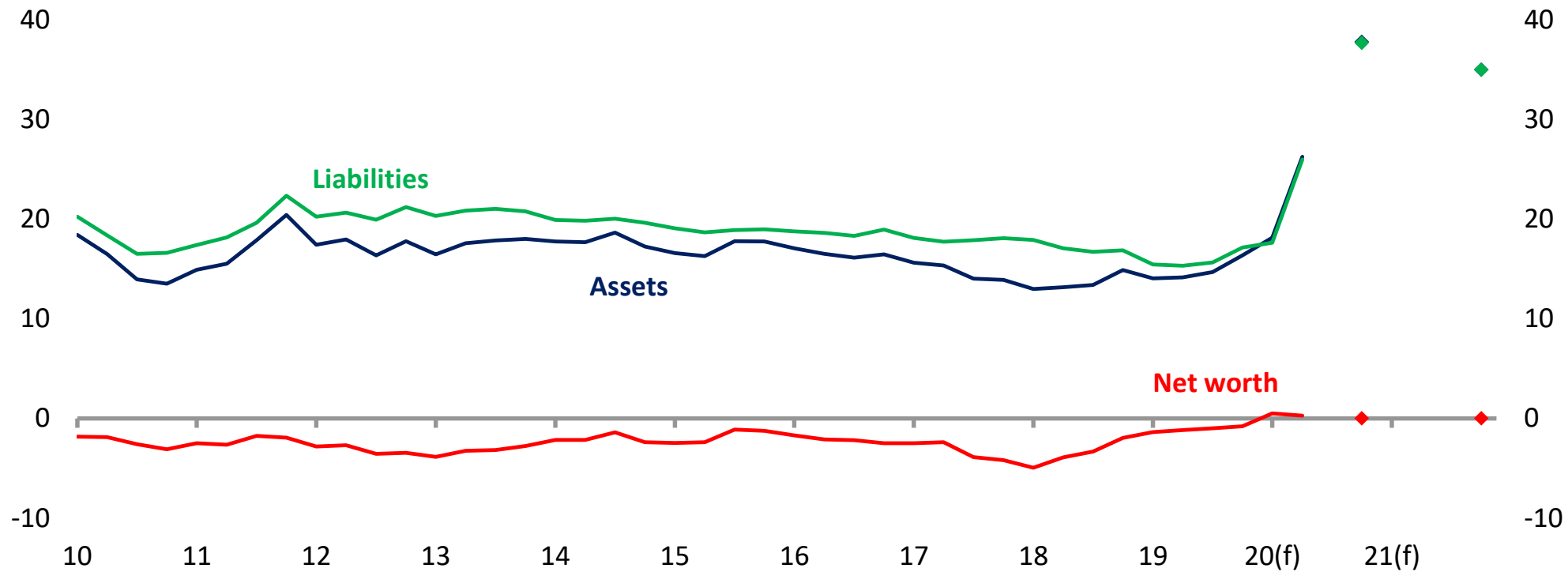
### Unconventional measures

- *Low-cost credit lines to finance households and firms, focused on SMEs (FCIC1, FCIC2)*
- *Bank bond purchase programs*
- *CBCh-bond repurchase program*



17.7% of GDP

## Central Bank of Chile balance sheet (\*) (percent of GDP)



(\*) Actual data up to second quarter of 2020. Diamonds show forecasts at the end of the years 2020 and 2021 for each series.  
Source: Central Bank of Chile.

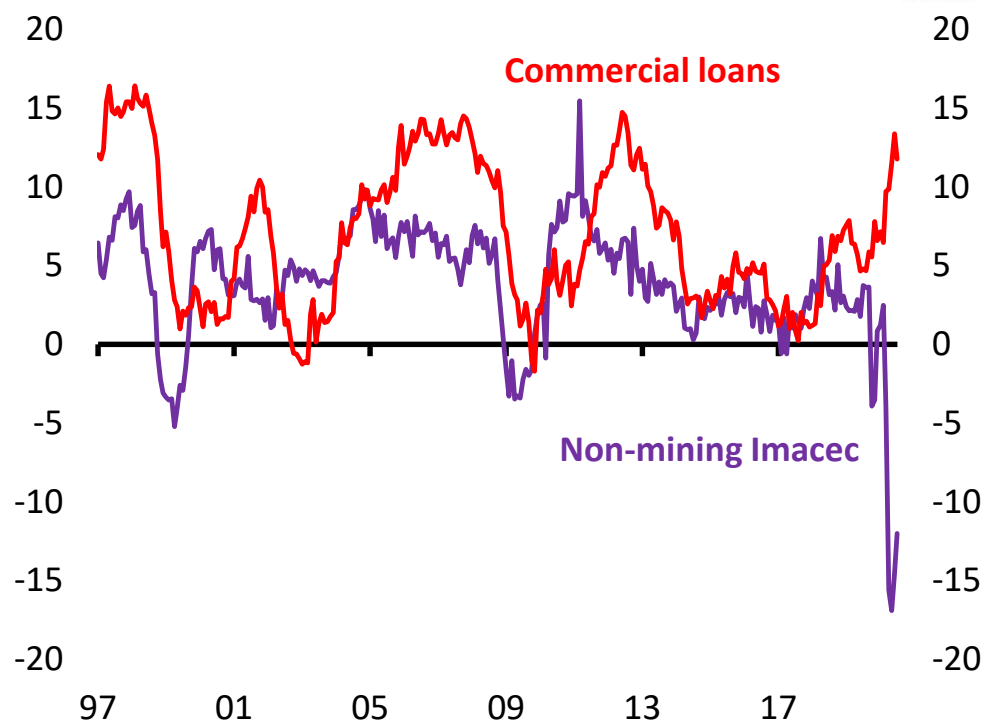




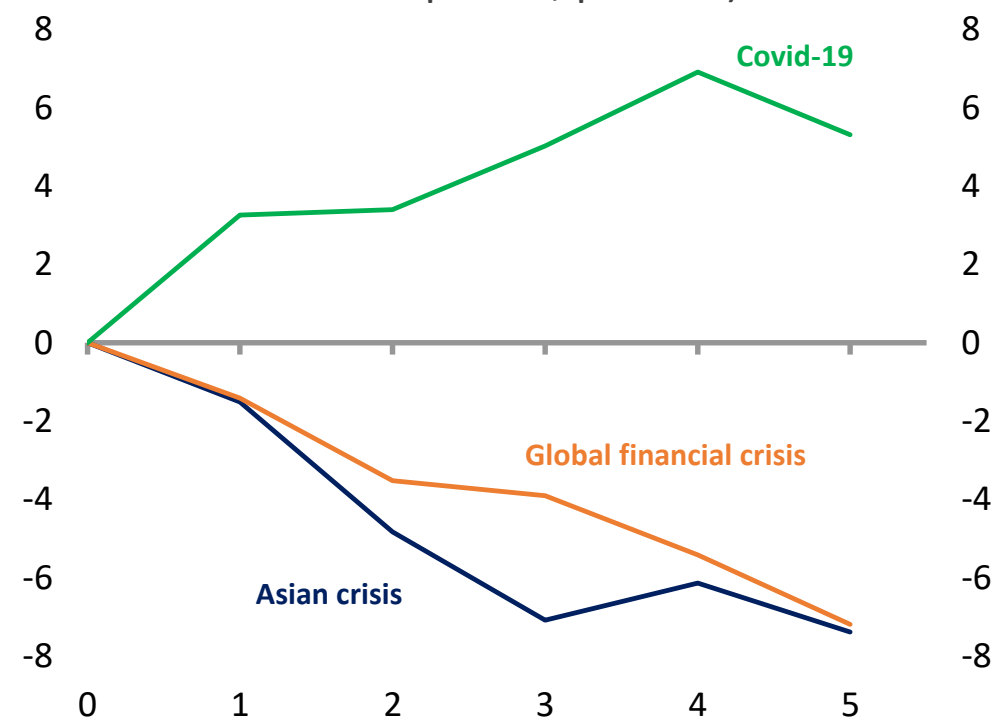
CMF  
COMISIÓN  
PARA EL MERCADO  
FINANCIERO



## Real commercial loans and non-mining Imacec (annual change, percent)



## Commercial loans during recession episodes (1) (2) (difference with respect to annual change in initial period, percent)



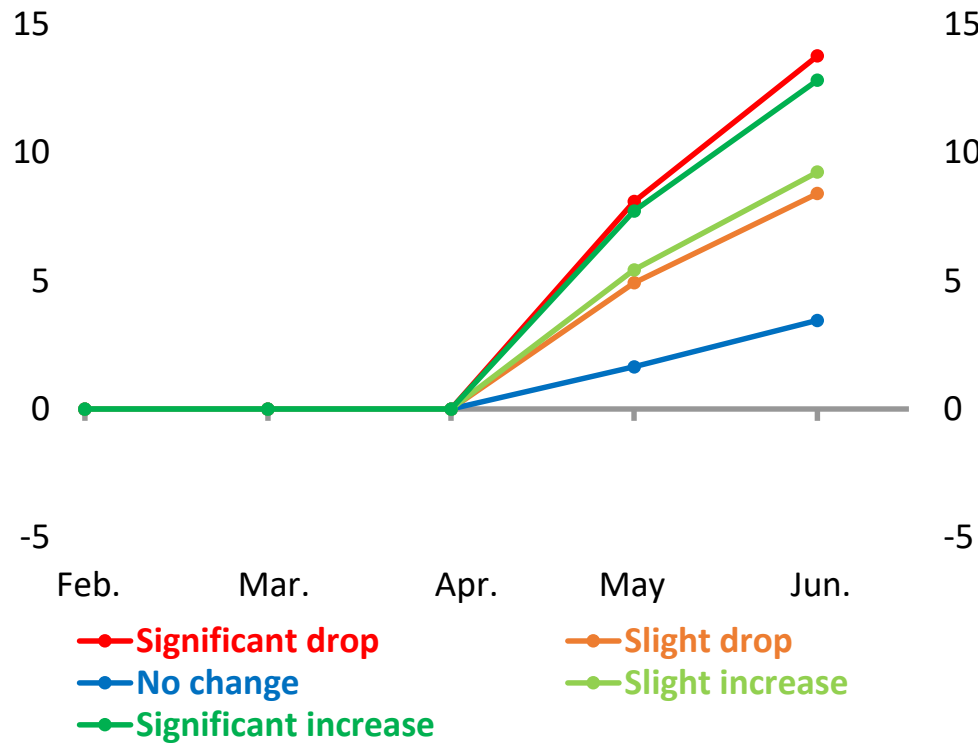
(1) Horizontal axis shows months. Period 1 is first month with negative Imacec. (2) Real data based on CPI splicing with 2018 annual base.  
Source: Central Bank of Chile using data from the Financial Markets Commission and the National Statistics Institute (INE).



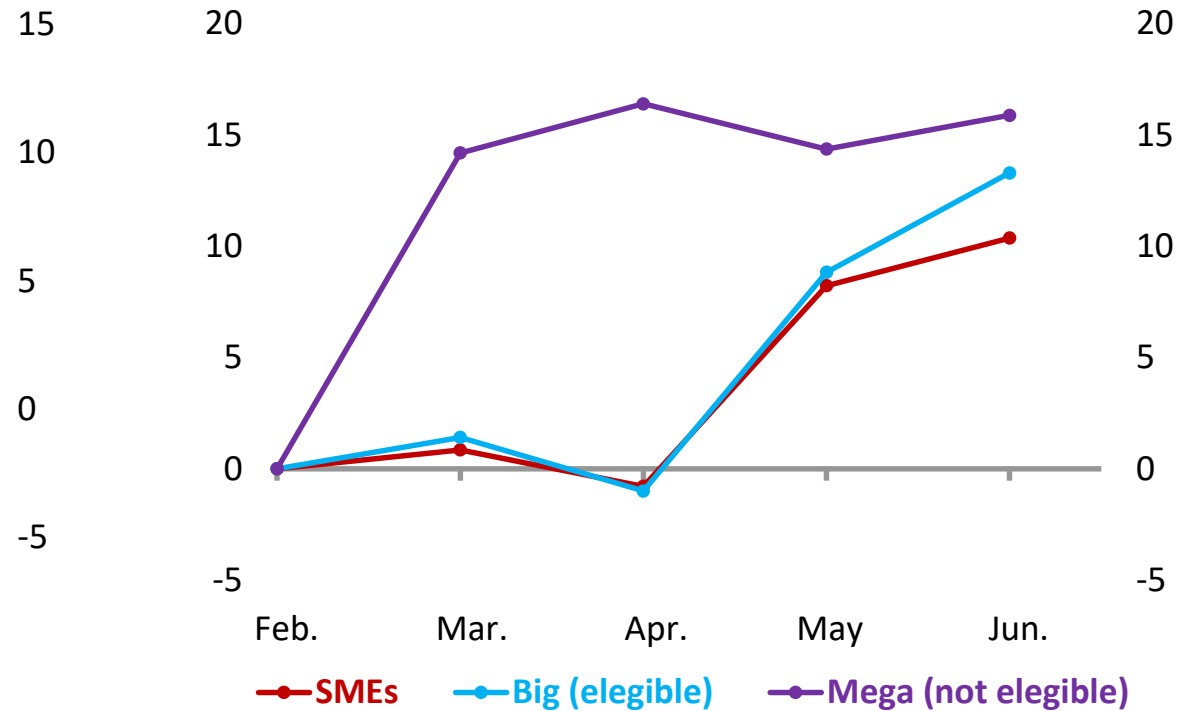
## Stock of commercial credits by size and behavior of sales

(change in annual variation with respect to February 2020, percent)

(a) Credits granted per sales contraction (\*)



(b) Stock of commercial credits (\*)



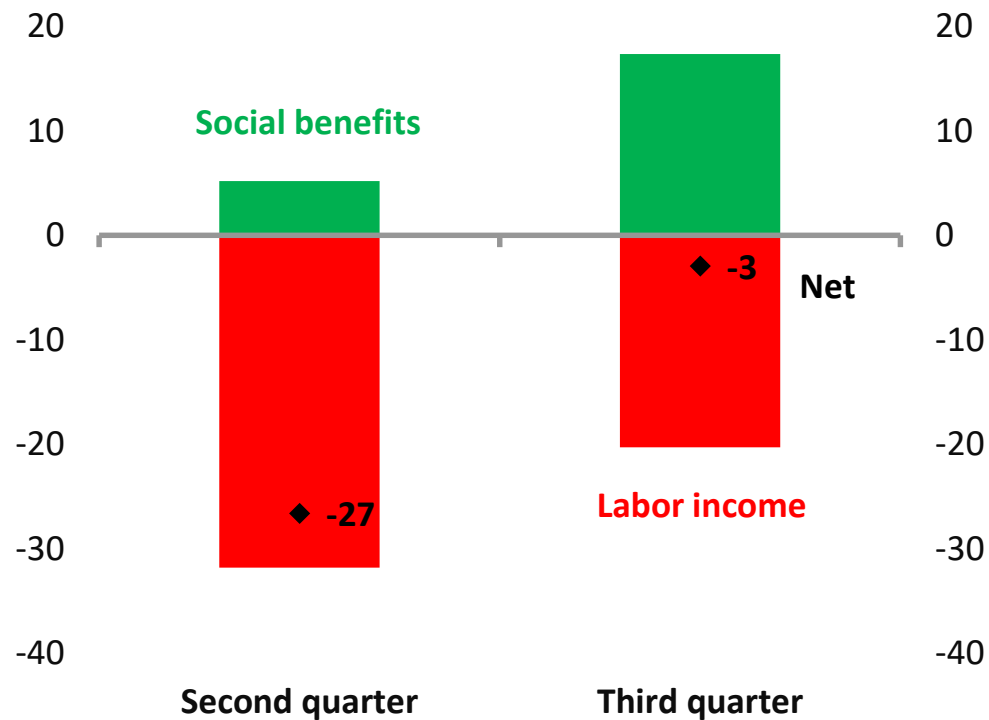
(\*) For further detail, see Box II.2 in Monetary Policy Report, September 2020.

Source: Huneus *et al.* (2020).

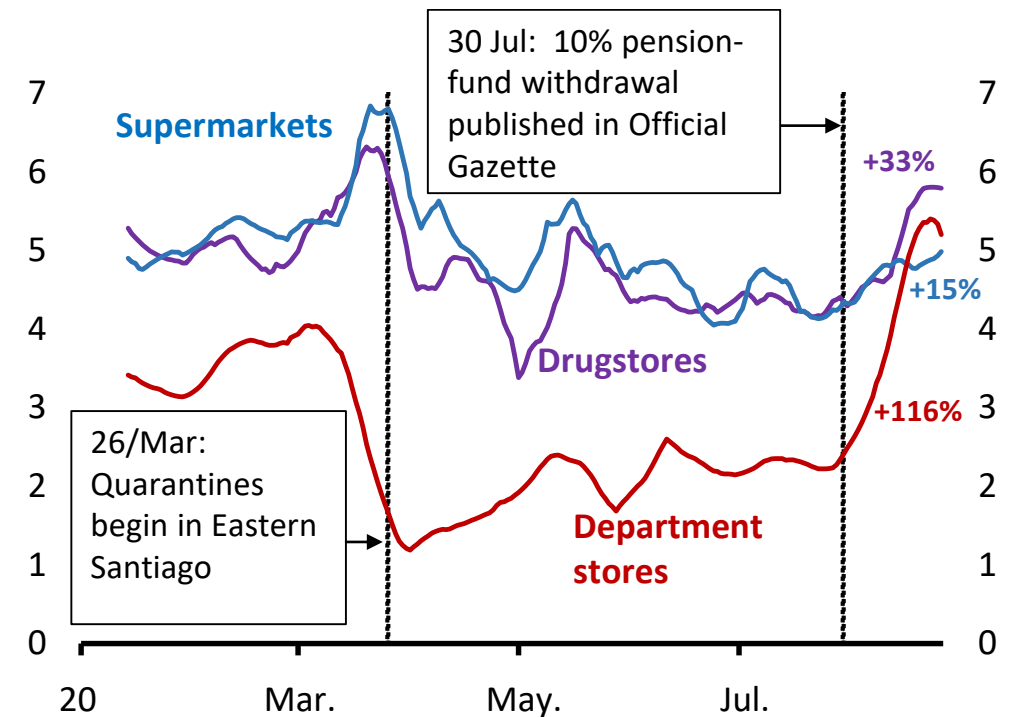


## Other demand-supporting policies

**Labor income and social benefits (1)**  
(annual change, percent)



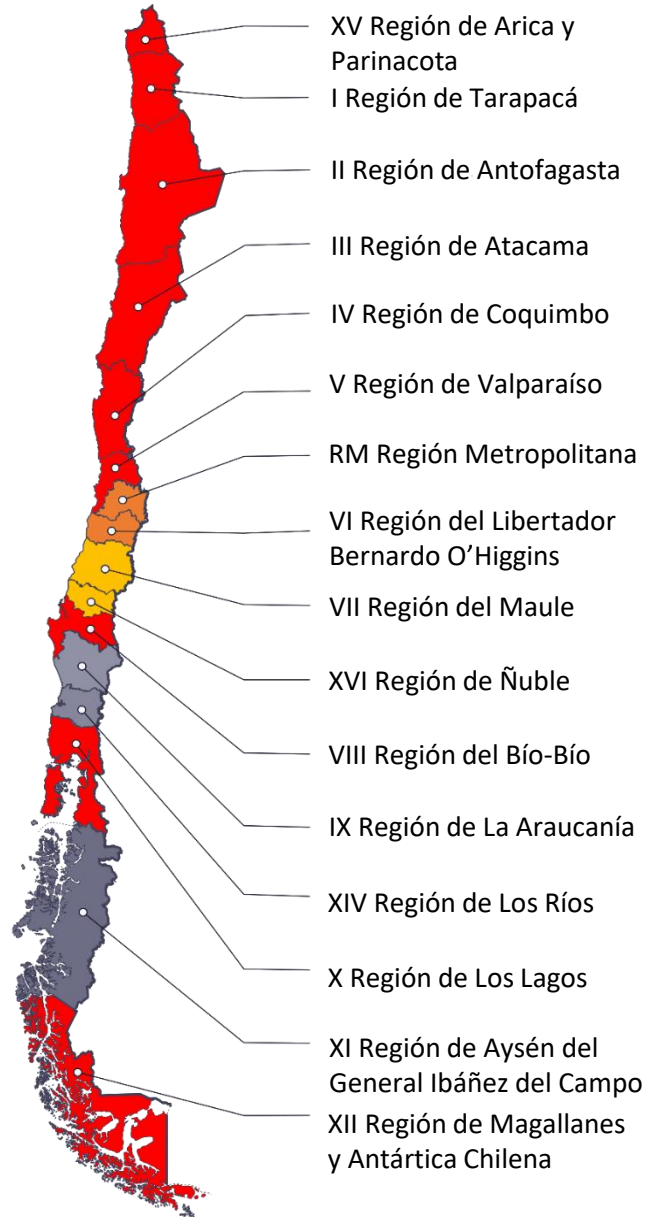
**Sales by electronic billing (2)**  
(two-week moving average, billion pesos)



- (1) For details, see footnote to Figure 9 in Presentation of Annual Statement before the Senate by Governor Mario Marcel (<https://www.bcentral.cl/en/content/-/detalle/informe-de-politica-monetaria-septiembre-2020-mario-marcel>) (2) Percents indicate variation between 30 July and 26 August. Source: Central Bank of Chile using data from INE, Ministry of Finance, Superintendency of Pensions and Internal Revenue Service.



# Lockdowns are Easing in Main Economic Areas



## Phases (1):

**PHASE 1: Quarantine**

**PHASE 2: Transition**

**PHASE 3: Preparation**

**PHASE 4: Initial opening**

## Effects (2):

MONTH	% National population affected			% total monthly GDP		
	Avg.   Min.   Max.			Avg.   Min.   Max.		
July (peak)	54	53	60	65	63	70
August	48	40	53	58	47	63

(1) Color denotes phase of the region's capital city. (2) Estimations based on nominal GDP, percent of working days of the month in quarantine and percent of people affected by the measures (population according to last Census.) Sources: Central Bank of Chile, National Statistics Institute (INE) and Chile's Ministry of Health.



## Economic Outlook

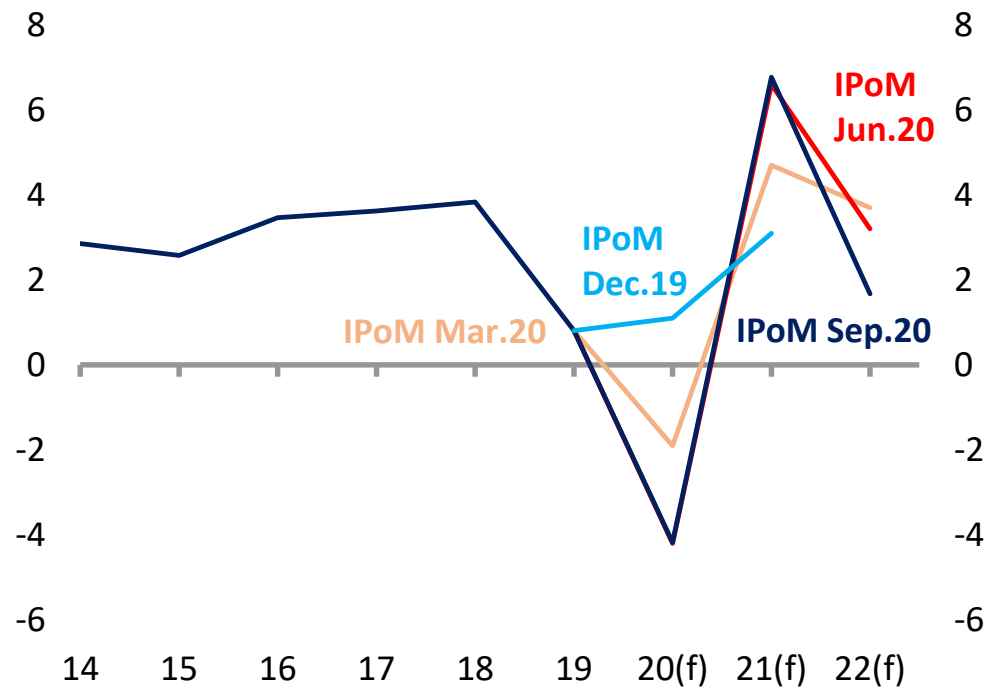
	2019	2020 (f)	2021 (f)	2022 (f)
	(annual change, percent)			
GDP	1,1	-5,5/-4,5	4,0-5,0	3,0-4,0
National income	0,8	-4,3	4,8	3,6
Domestic demand	1,0	-7,1	5,6	2,7
Domestic demand (w/o inventory ch.)	1,5	-5,6	7,0	2,4
Gross fixed capital formation	4,2	-10,6	8,0	4,9
Total consumption	0,8	-4,2	6,8	1,7
Goods and services exports	-2,3	-2,2	5,0	4,8
Goods and services imports	-2,3	-9,4	8,6	2,2
Current account (% of GDP)	-3,9	-1,4	-2,5	-1,7
Gross national saving (% of GDP)	18,9	18,5	16,8	18,2
Gross national investment (% of GDP)	22,8	19,9	19,3	19,9
GFCF (% of nominal GDP)	22,4	21,0	21,8	22,2
GFCF (% of real GDP)	21,8	20,6	21,2	21,5

(f) Forecast. Source: Central Bank of Chile.

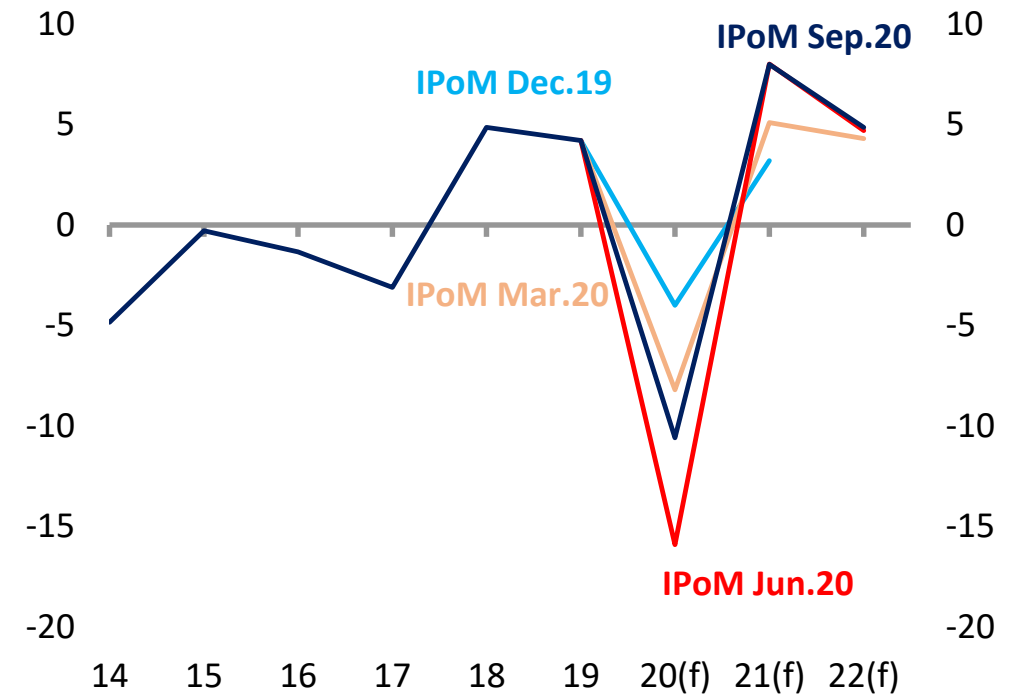


## Outlook for Consumption and Investment

**Total Consumption**  
(annual change, percent)



**Gross Fixed Capital Formation**  
(annual change, percent)

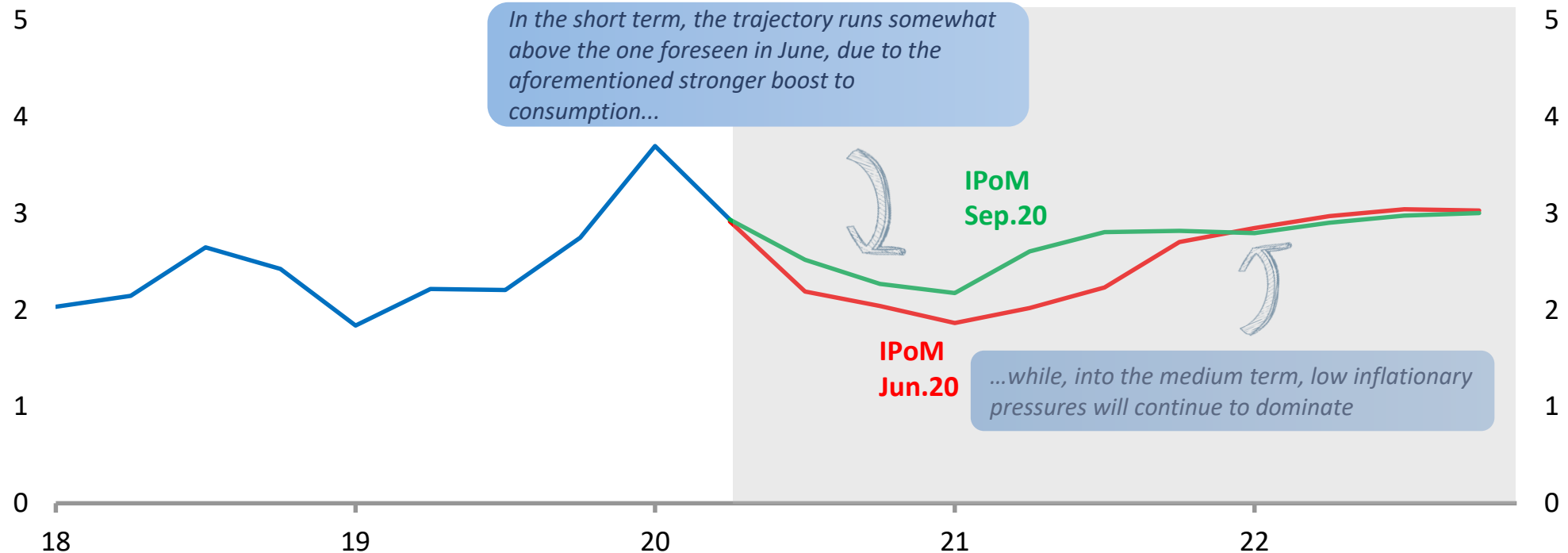


(f) Forecast. Source: Central Bank of Chile.



## CPI inflation Outlook (1) (2)

(annual change, percent)



(1) Plotted for 2018 is the annual CPI change obtained by splicing the series with base 2013=100 with the monthly variations of the 2018=100 basket as from February 2018. See Box IV.1 of the March 2019 MP Report. (2) Gray area, as from the third quarter of 2020, shows forecast. Sources: Central Bank of Chile and National Statistics Institute (INE).



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