

# An Update on the Chilean Economy heading into 2021



**Gobierno  
de Chile**

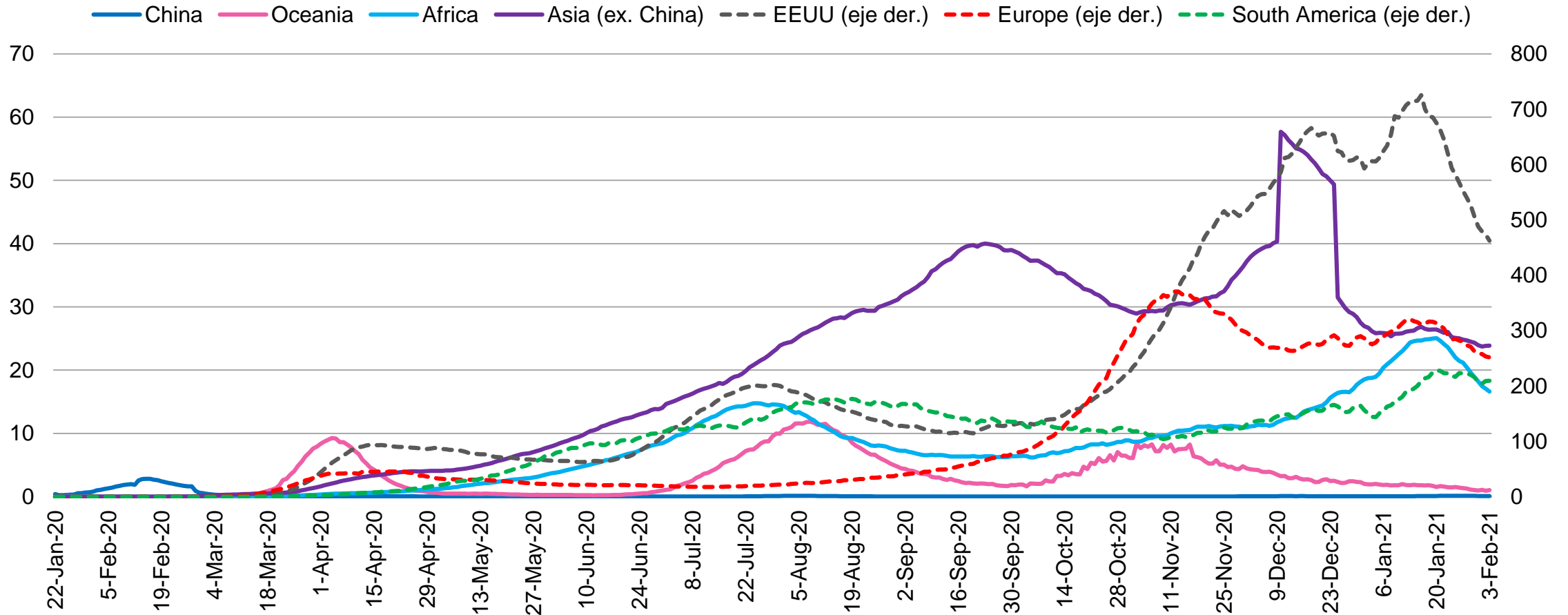
Ministerio de Hacienda

**Investor Relations Office  
Ministry of Finance  
February 17<sup>th</sup> 2021**

# The main source of global uncertainty is the evolution of the pandemic.

## New Confirmed Cases (per million)

15 day average

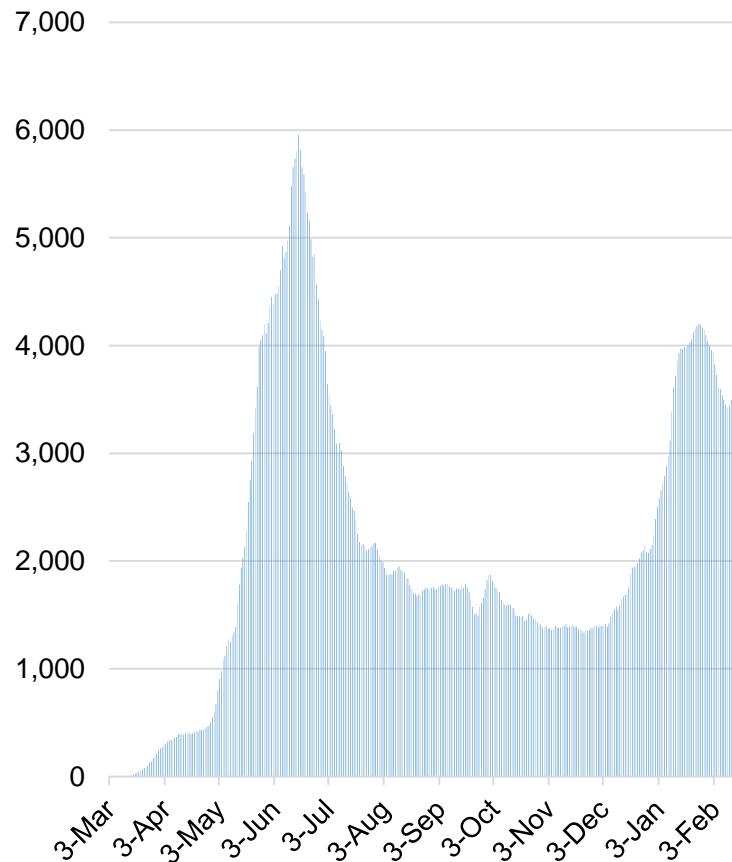


Source: CSSE at Johns Hopkins University.

# After rising steadily earlier in the year, new cases have fallen in recent weeks, allowing for a gradual easing of mobility measures.

**New Confirmed COVID-19 Cases**

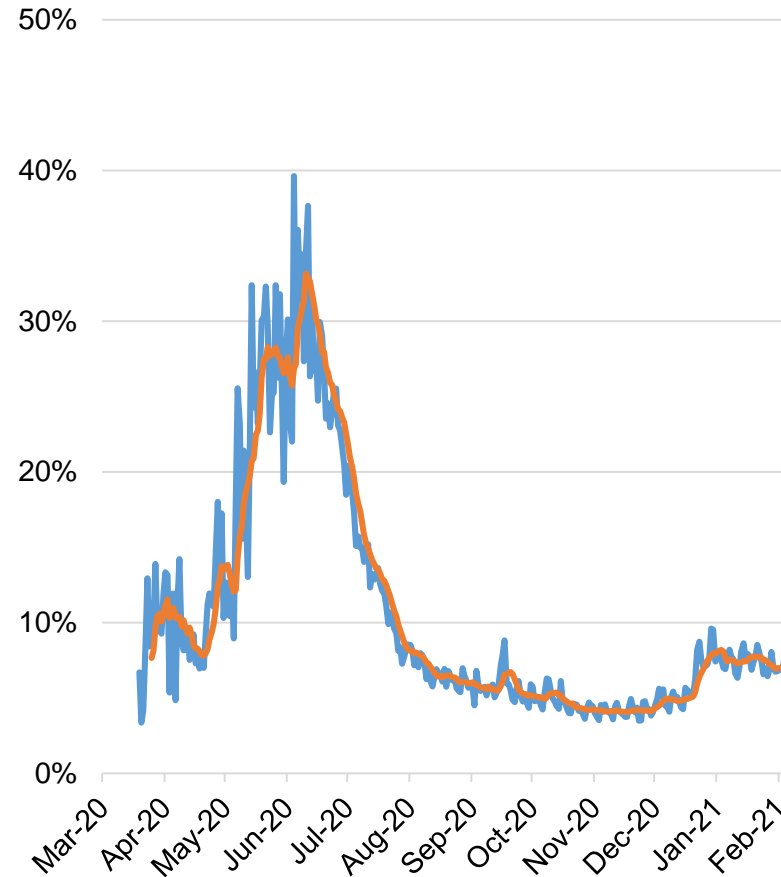
People, weekly average



Source: Ministry of Health.

**Positivity rate**

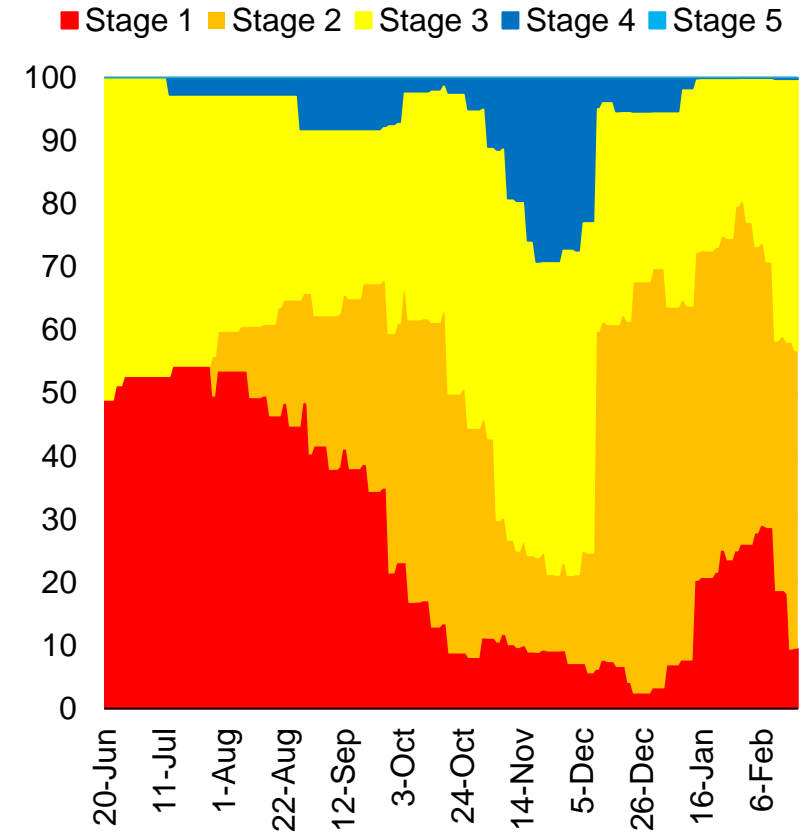
Percent of tests



Source: Ministry of Health.

**Chile's Population per "Paso a Paso" Phase**

Share of population



Source: Ministry of Finance based on Ministry of Health.

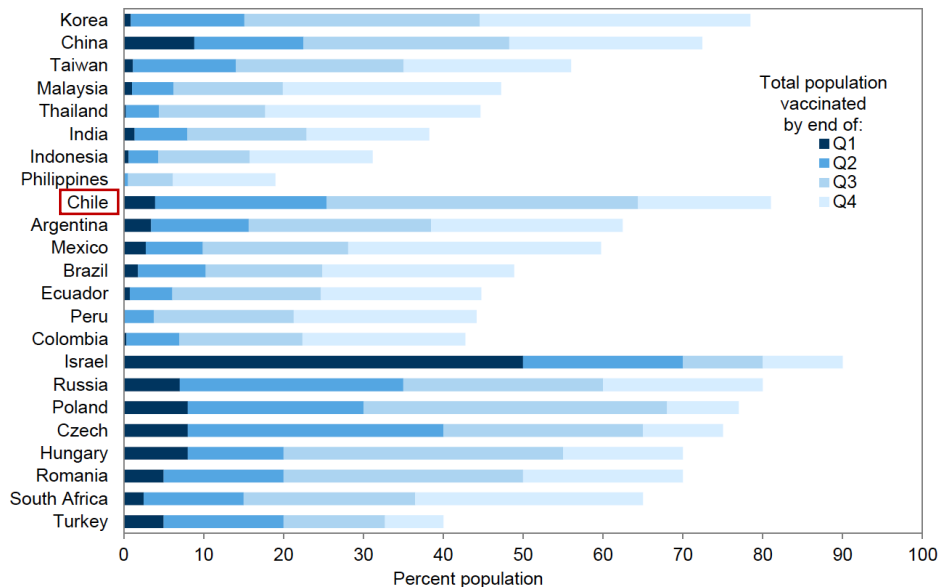


**Chile has agreements with several laboratories to vaccinate the entire population (~19.8 million):**

- Pfizer-BioNTech: 10 million doses (double dose);
- SINOVAC: up to 10 million doses (double dose);
- COVAX Global Alliance: 7.6 million doses (double dose);
- Astra-Zeneca/Oxford: up to 4 million doses (double dose);
- Janssen Laboratory: up to 4 million vaccines (mono-dose).

The vaccine is voluntary and free of charge.

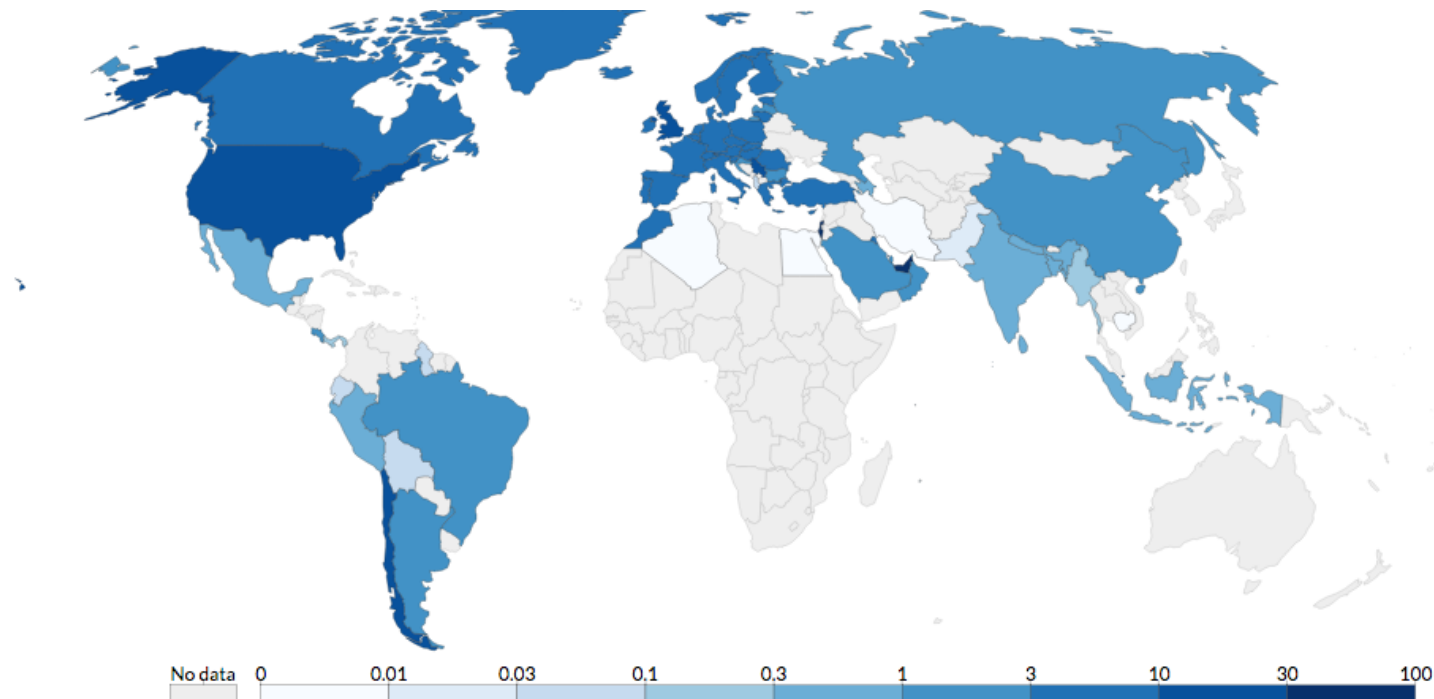
**Estimations on Population Vaccinated**



Source: EM Macro Navigator, Goldman Sachs.

**COVID-19 Vaccination Doses**

Per 100 people, as of Feb 17<sup>th</sup> 2021



Source: Official data collated by Our World in Data – Last updated 17 February, 07:10 (London time)

The goal is to vaccinate the majority of the ~5 million people of the “at-risk groups” during Q1, and the majority of the 15 million adult population during the first semester of 2021



Total

Total Vaccinated Population

2,320,696

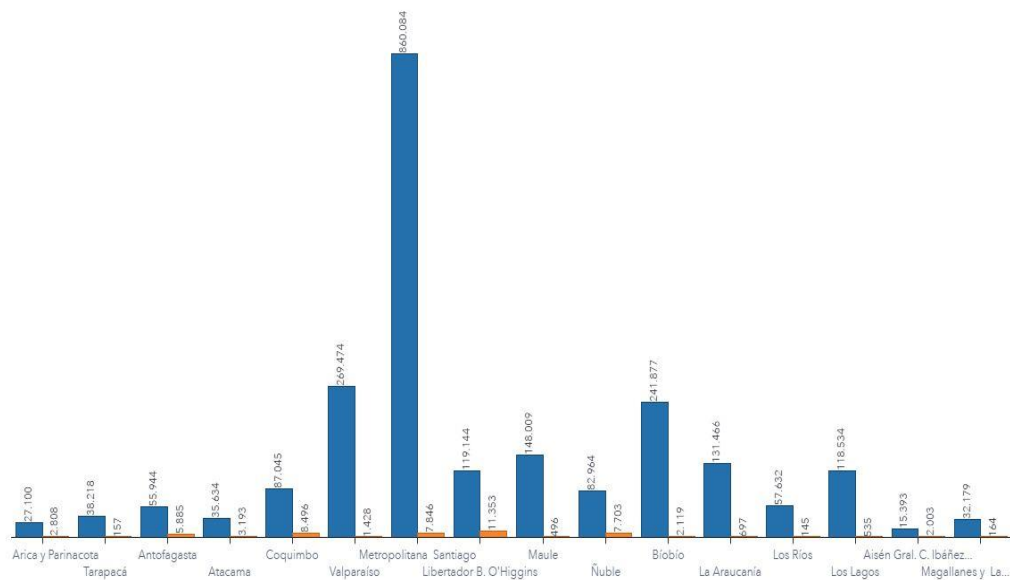
February 16th

Total Vaccinated Population

201,846

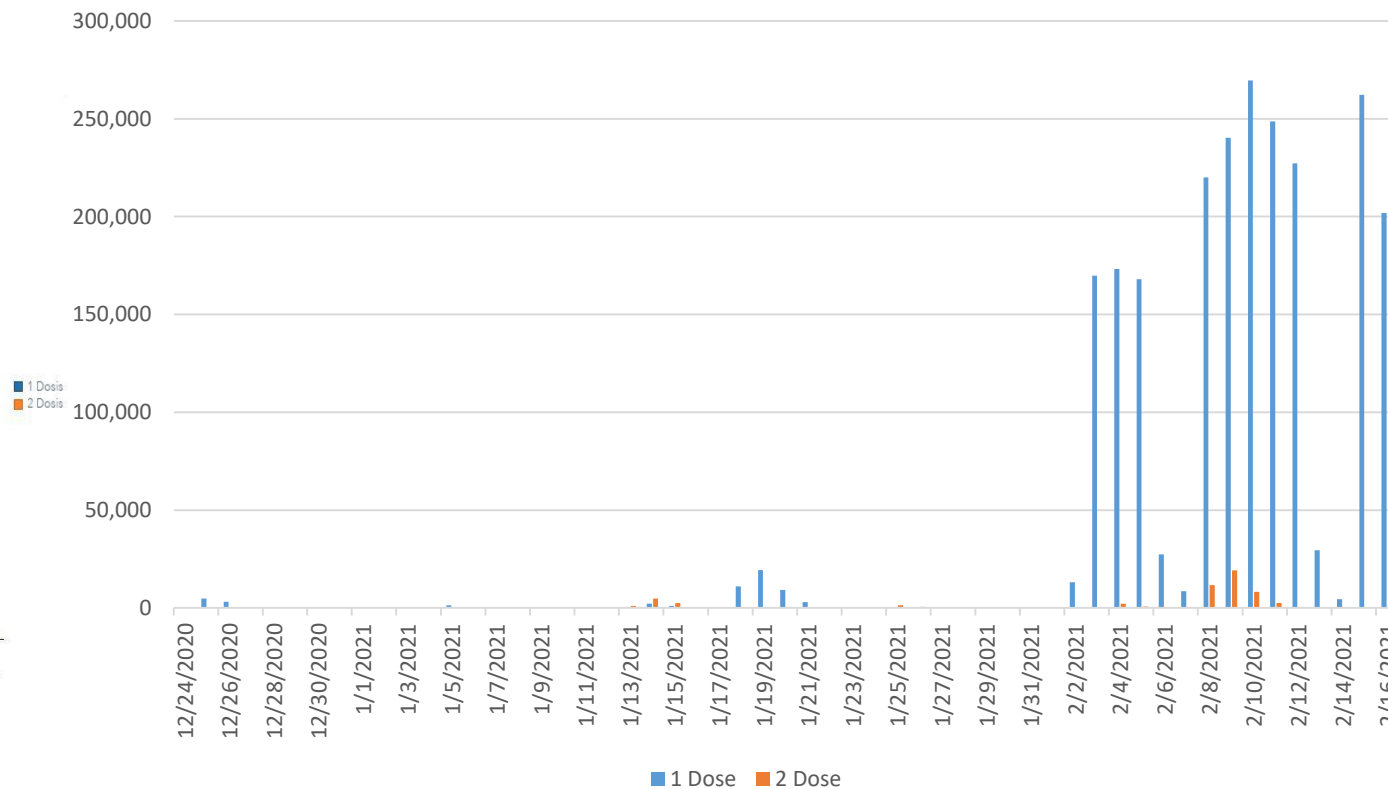
### Total Vaccinations per Region in Chile

People per region, as of Feb 8<sup>th</sup>, 2021



### Flow of Vaccinations in Chile

People, as of Feb 8<sup>th</sup>, 2021

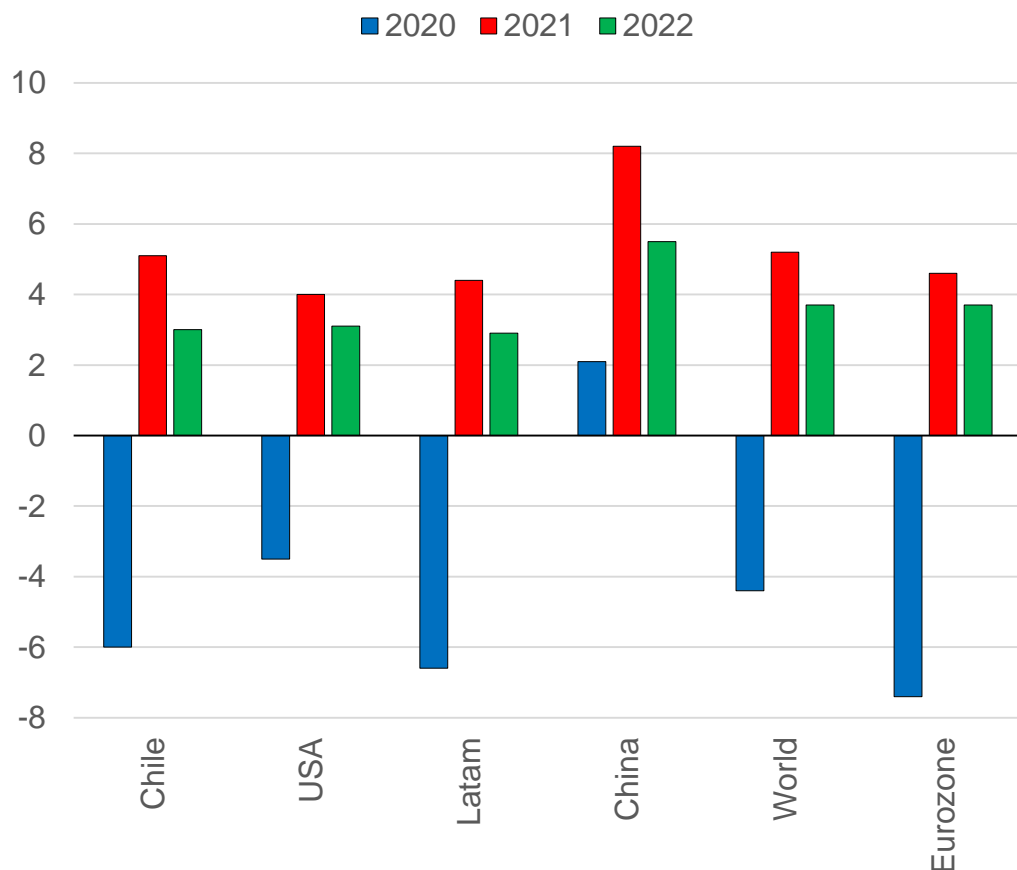


Source: Department of Health Statistics and Information, Ministry of Health.

# Chile is expected to experience a favorable tailwind from the global economy during 2021.

**Real GDP Growth Forecasts by Region**

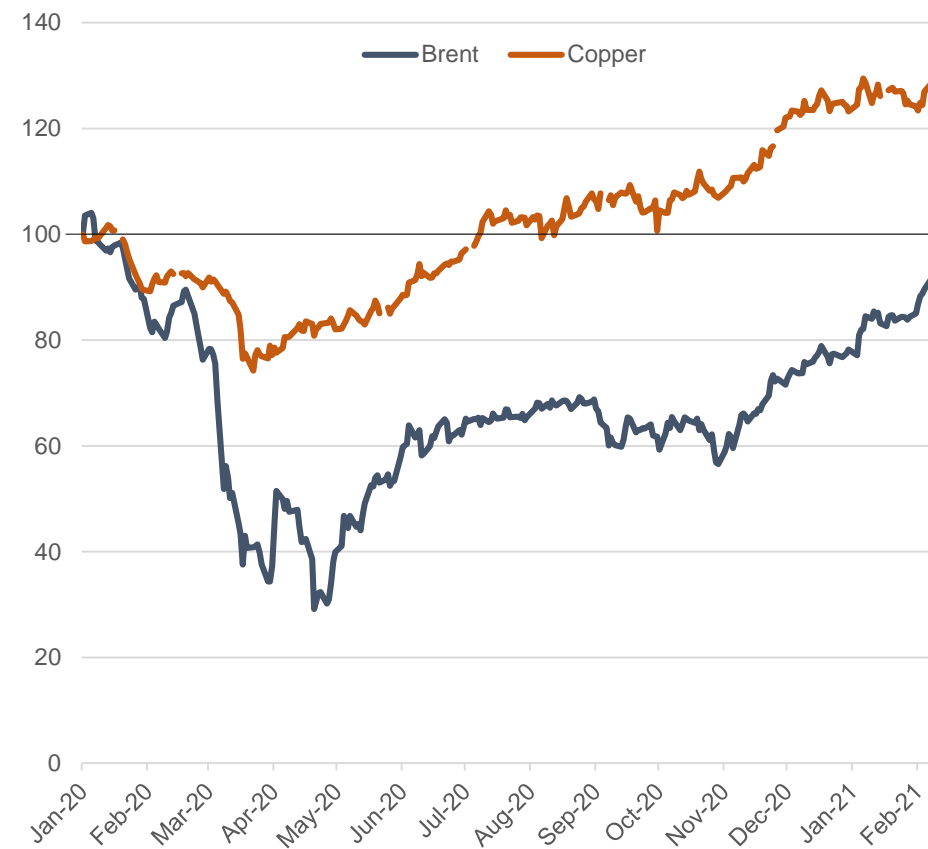
Percent year-on-year



Source: Bloomberg.

**Changes in Future Prices of Oil & Copper**

Jan-20 = 100, through February 9th, 2021.

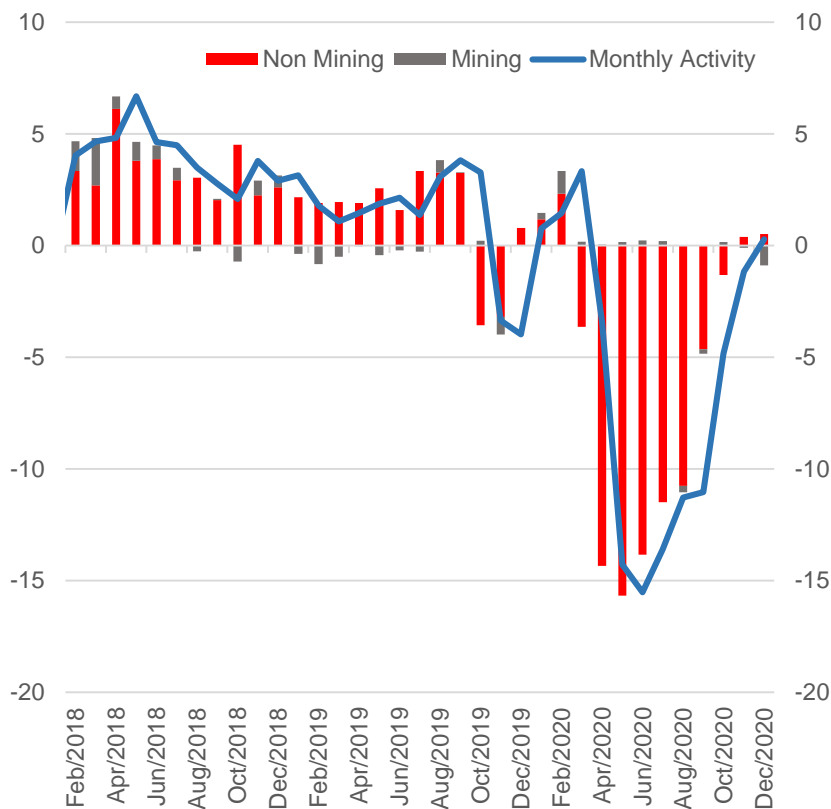


Source: Bloomberg.

# In this context, the economy has picked up steam in recent months.

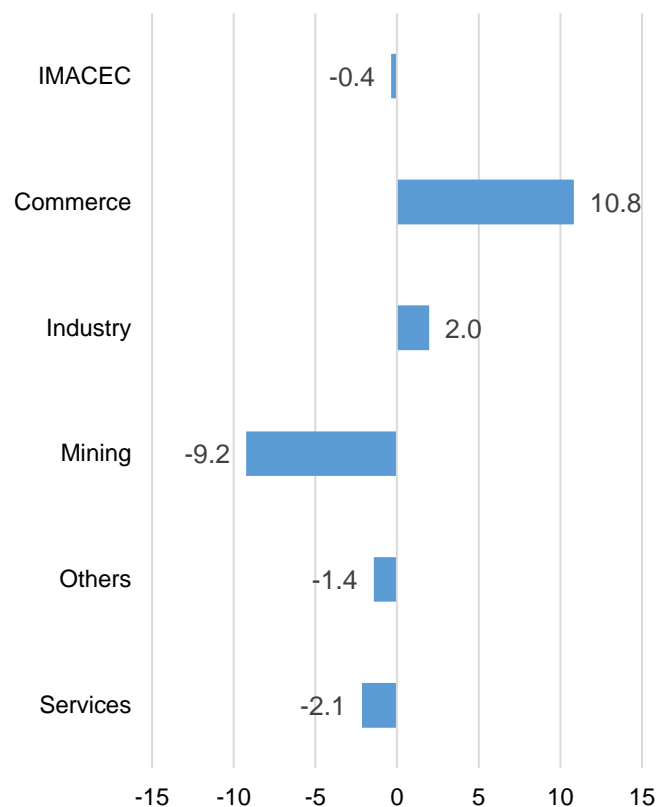
## IMACEC

Percent, year-on-year, 01.2018-12.2020



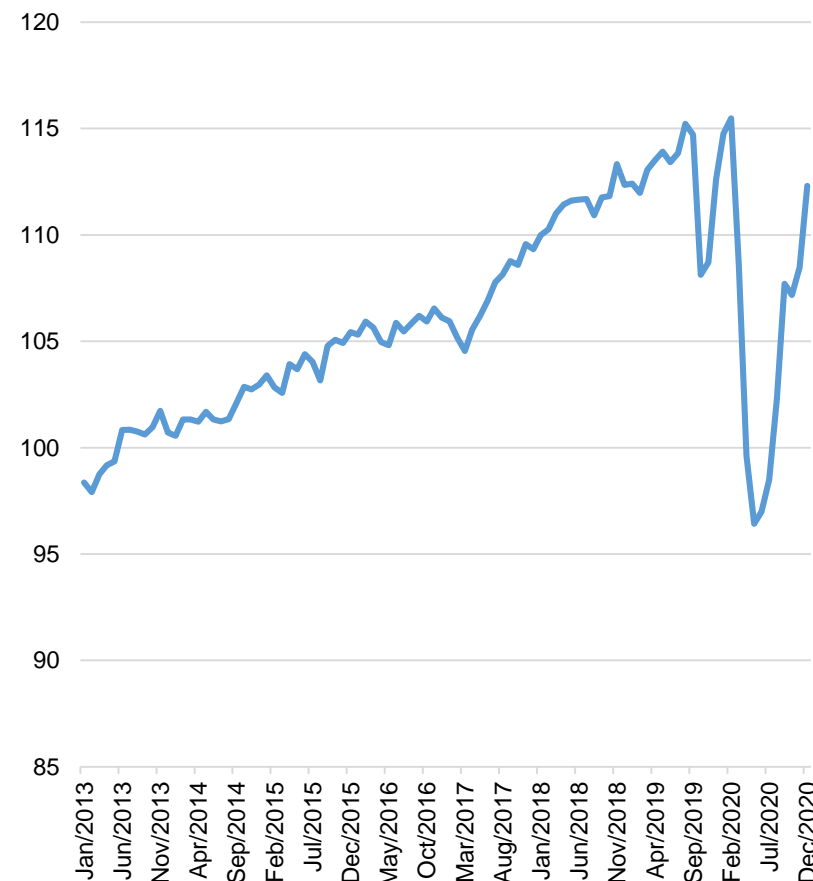
## IMACEC – December print

Percent, year-on-year.



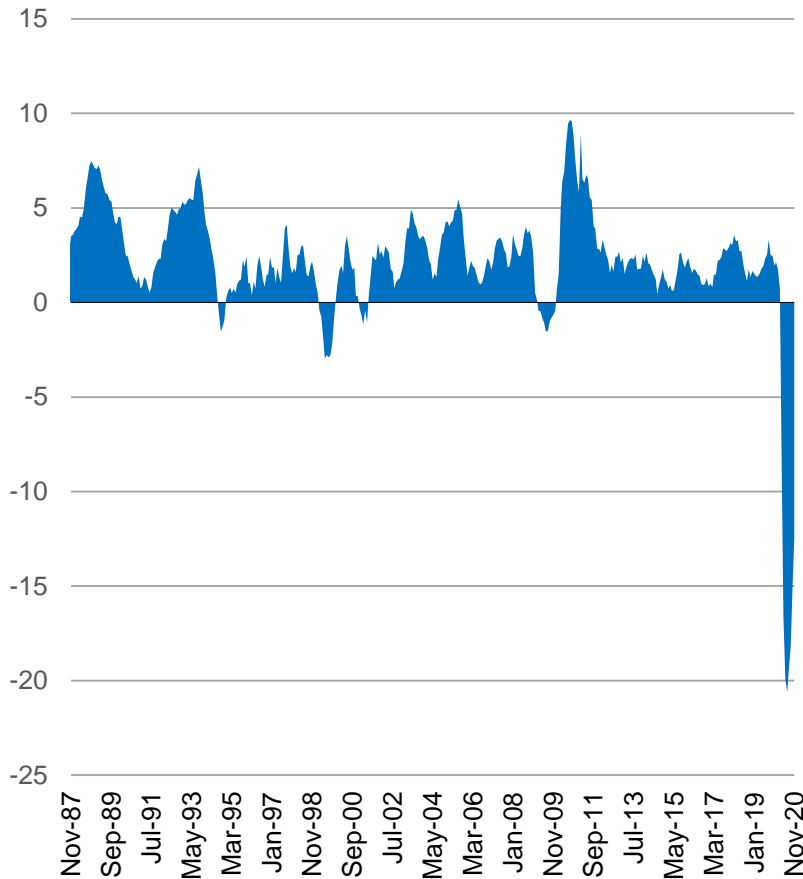
## IMACEC

Index 2013=100, seasonally adjusted, 01.2013-12.2020



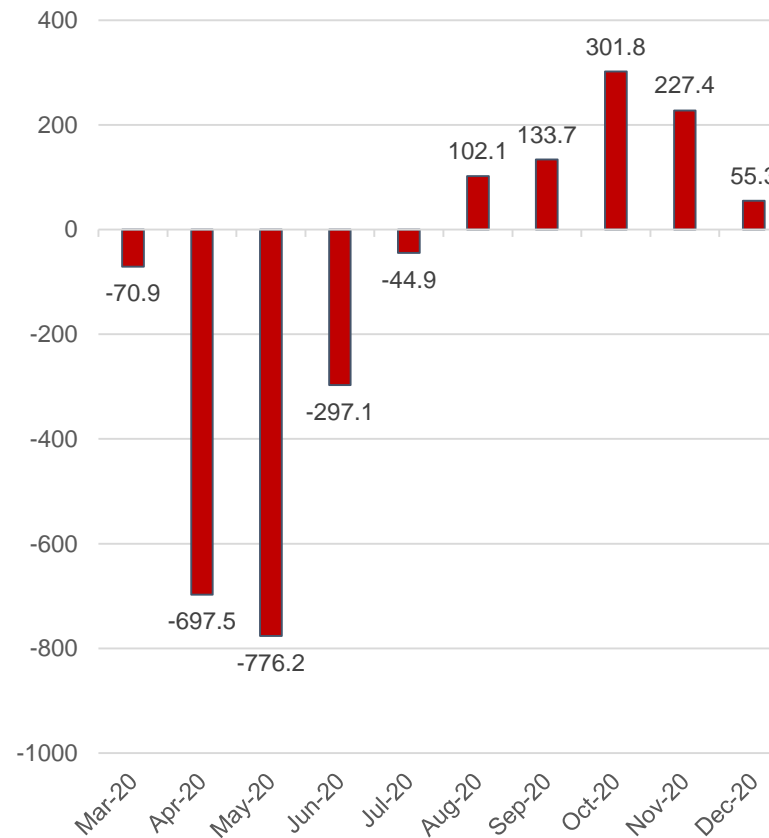
# The improvement in economic activity is reflected by gradual progress in the labor market.

**Employment Growth**  
Percent year-on-year



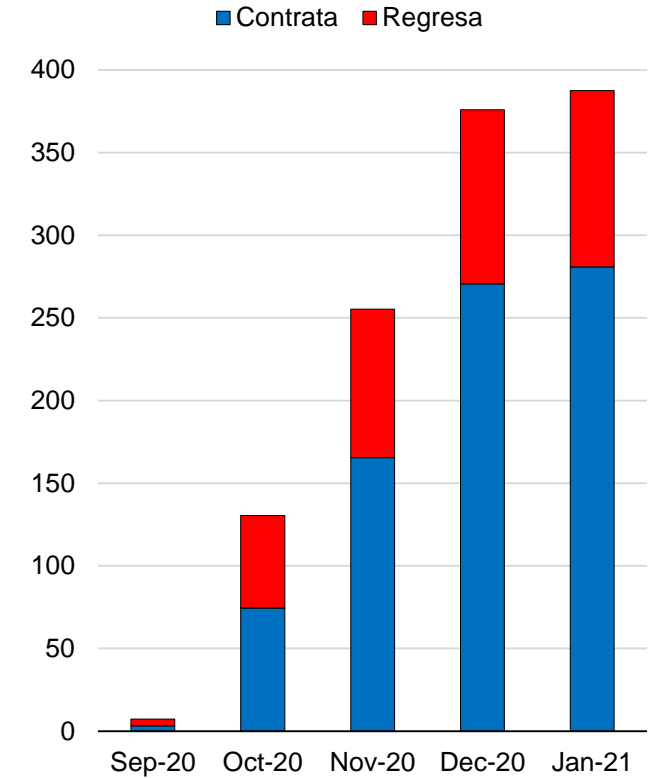
Source: National Institute of Statistics.

**Job creation**  
Thousands, gross, QoQ SA



Source: National Institute of Statistics.

**Applications to the Wage Subsidy Program**  
Thousands of Workers

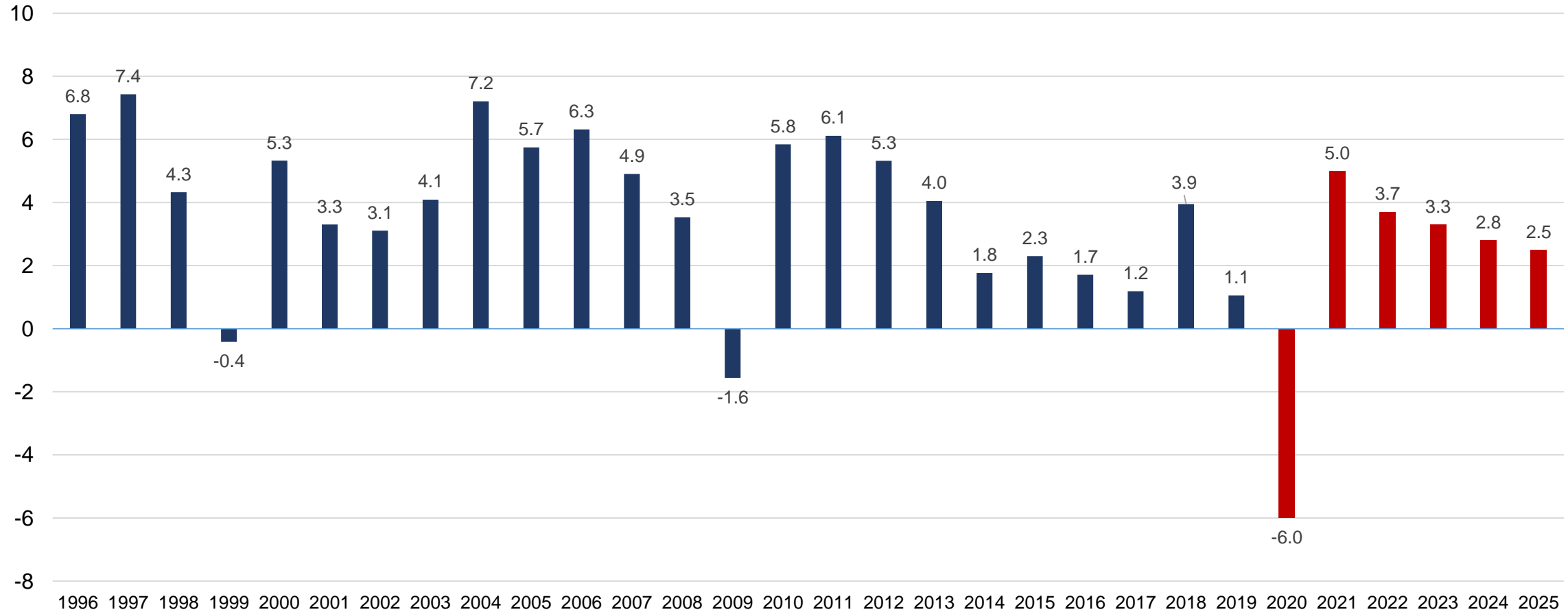


Source: SENCE, data through January 8th, 2021



# Chile's economy contracted sharply in 2020 and is projected to snap back in 2021.

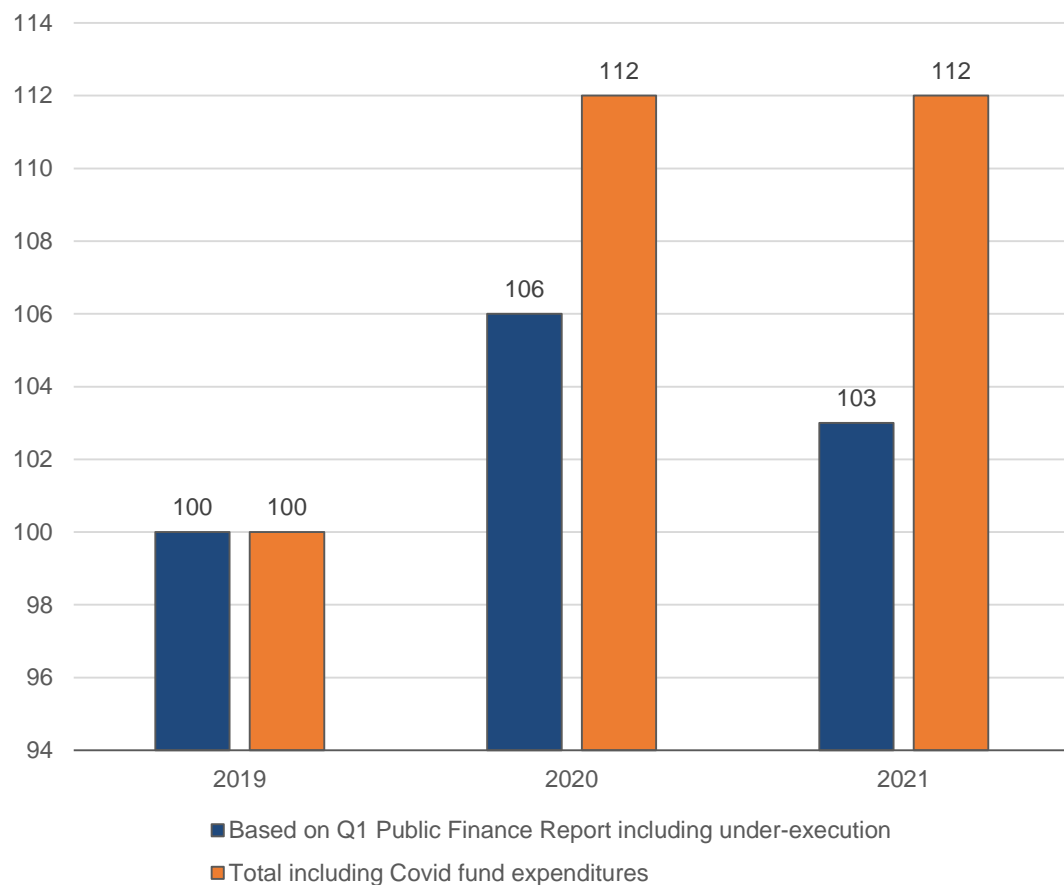
Chile's Real GDP: Actual & Forecast (February, 2021)



# Fiscal policy will continue to support the economy through 2021.

## Real Primary Expenditures

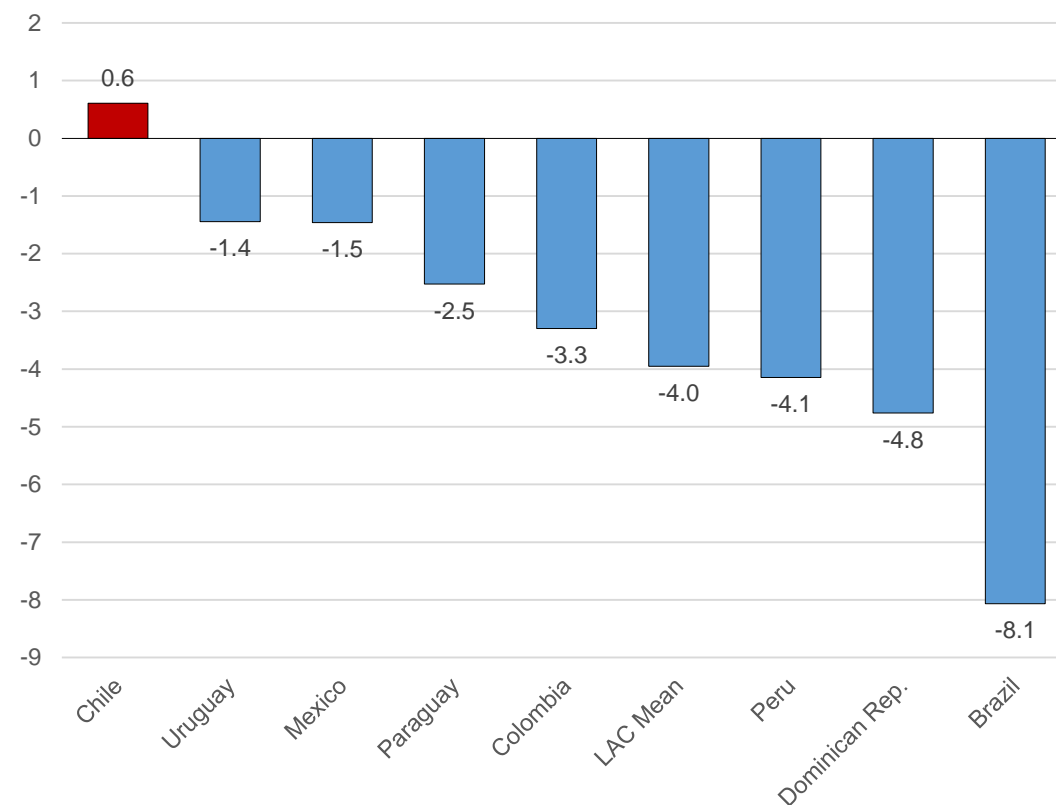
2019=100



Source: Budget Office, Public Finance Report Q3-2020.

## 2021 Fiscal Impulse\* in Select LAC Economies

Percent of GDP

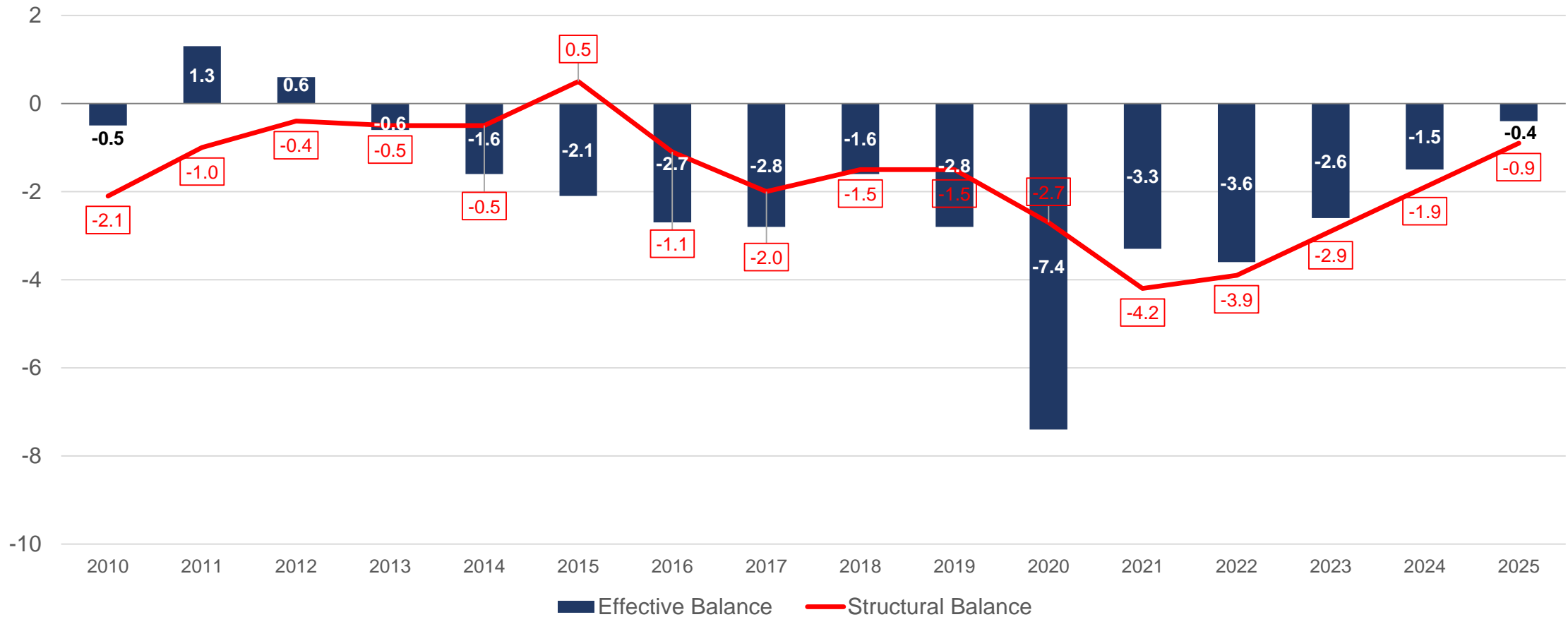


Source: IMF Regional Economic Outlook Western Hemisphere, October 2020. \* Fiscal impulse measured as the annual change in the primary fiscal structural balance.

# Fiscal policy will continue to support the economy through 2021.

## Central Government's Structural and Headline Balance (2010-2025F)

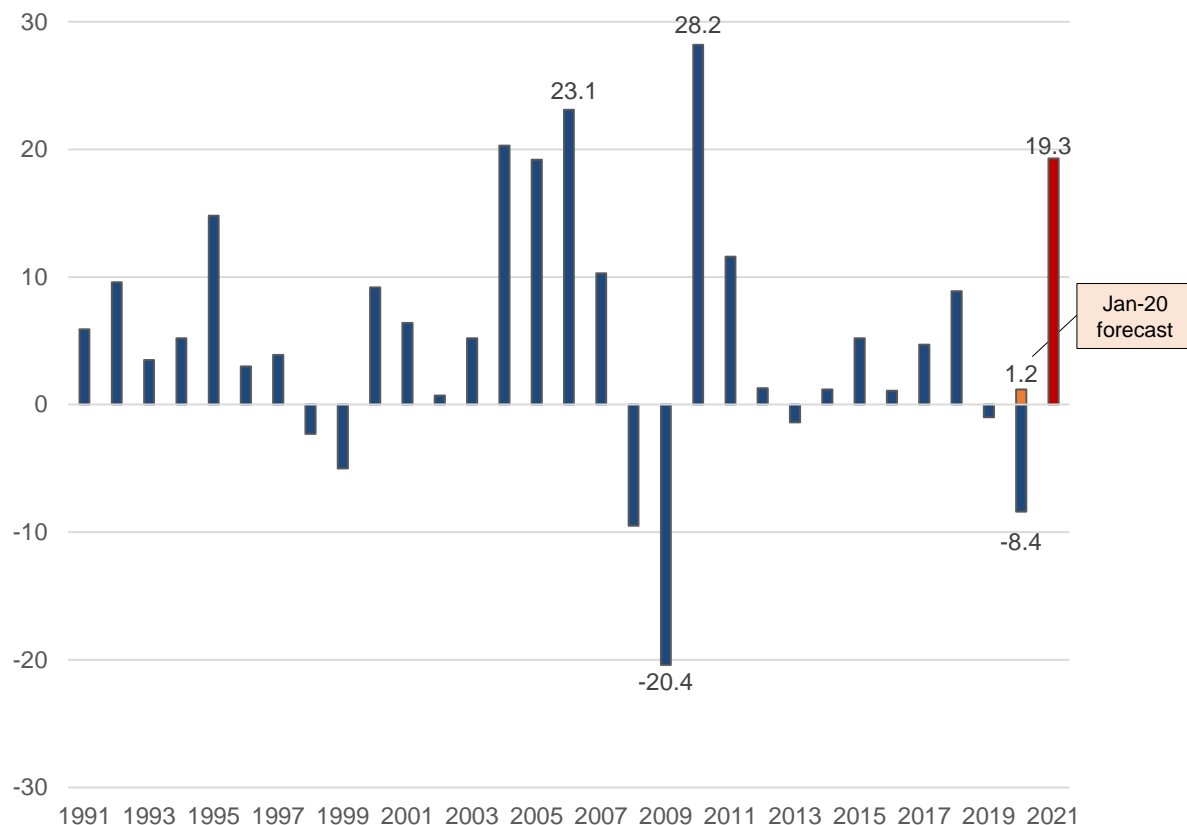
Percent change in real terms



# Revenues and expenditures reflect COVID-19's impact and policy response.

### Central Government's Revenue (1991-2021F)

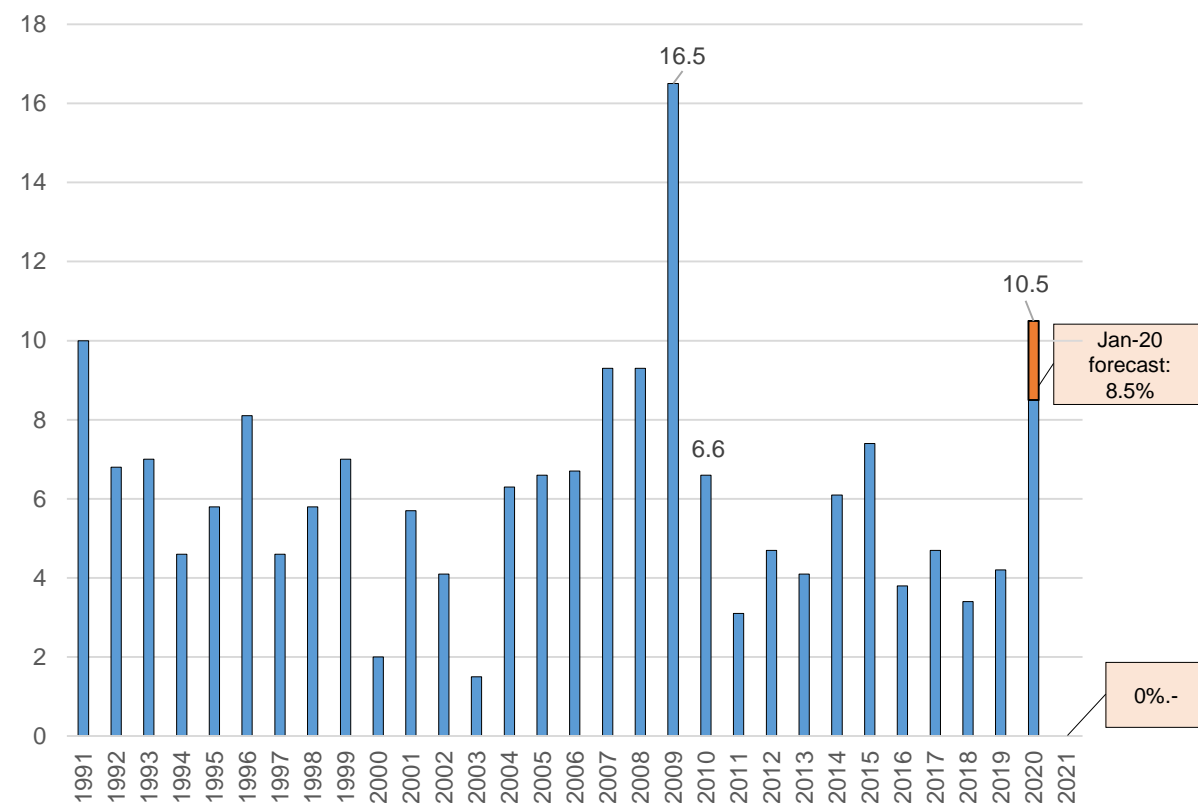
Percent change in real terms



- Fiscal revenues for 2020 fell by 8.4% y/y in real terms, mainly affected by the decrease in non mining revenues, as well as for the measures adopted to face the economic effect of COVID. This was a lower contraction than anticipated in October, mainly due to a less intensive use of tax policy measures.

### Central Government's Expenditures (1991-2021F)

Percent change in real terms

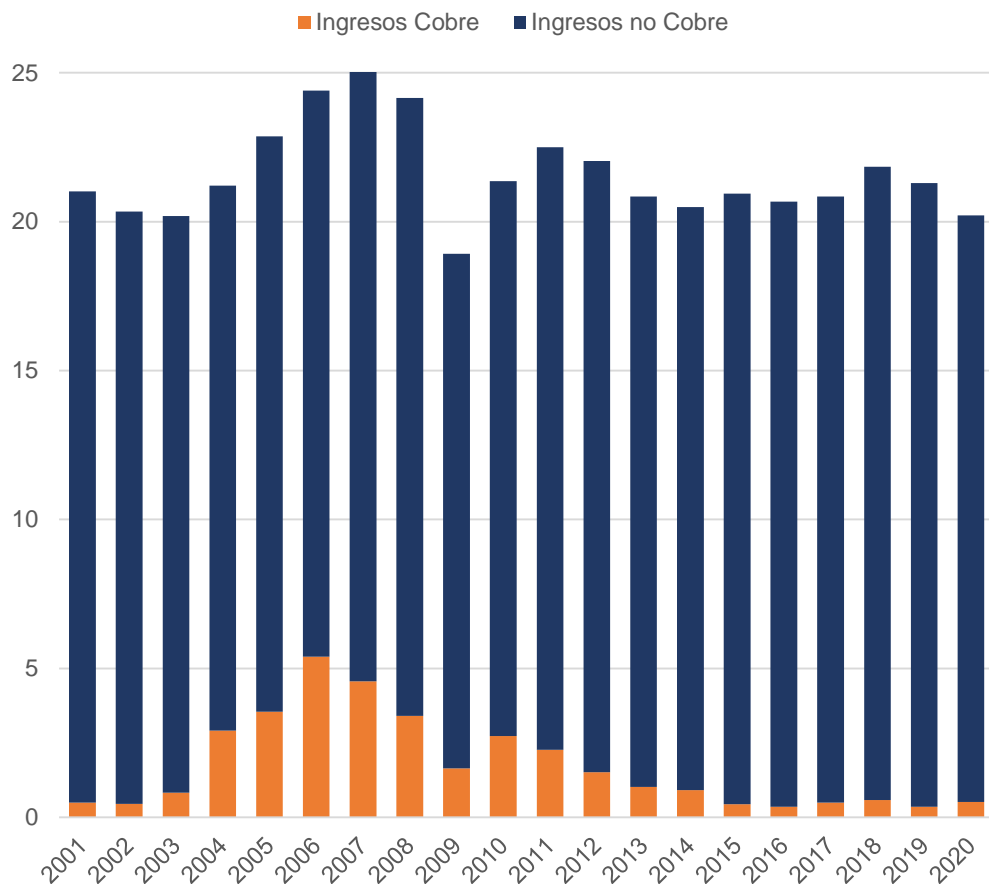


- Real expenditures in 2020 are projected at +10.5%, driven by fiscal measures implemented to support the economy in the context of the COVID-19 shock.
- As a result, expenditures as a share of GDP rose to 27.6% by end-2020.

# Higher copper prices are a positive development for fiscal revenues, but its significance has declined over time.

Fiscal Revenue (2001-2020)

Percent of GDP of each year

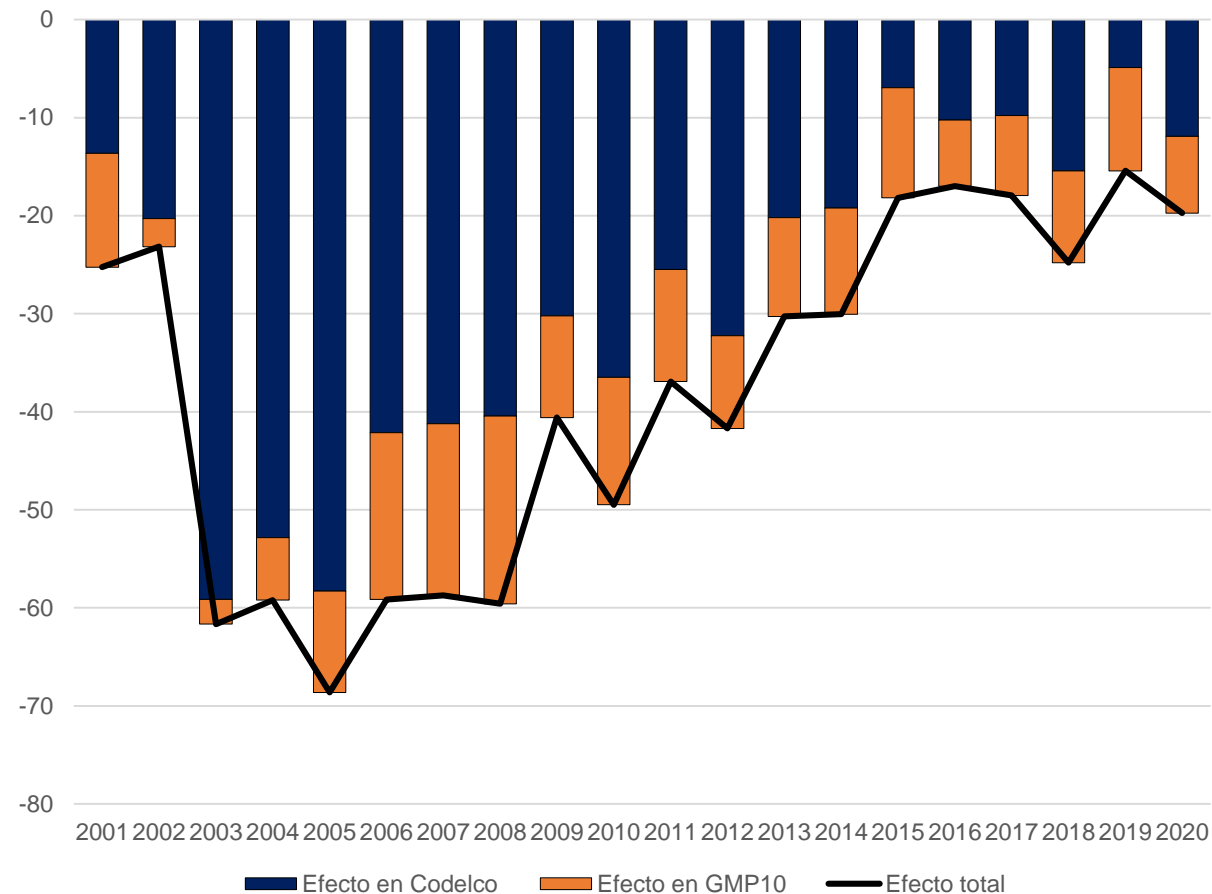


Source: Budget Office.

Nota: Los ingresos cobre corresponden a la suma de los ingresos provenientes de los traspasos de Codelco al Fisco (Cobre bruto) y los provenientes de la recaudación de GMP10 (minería privada).

Fiscal Revenue Sensitivity to Copper Prices

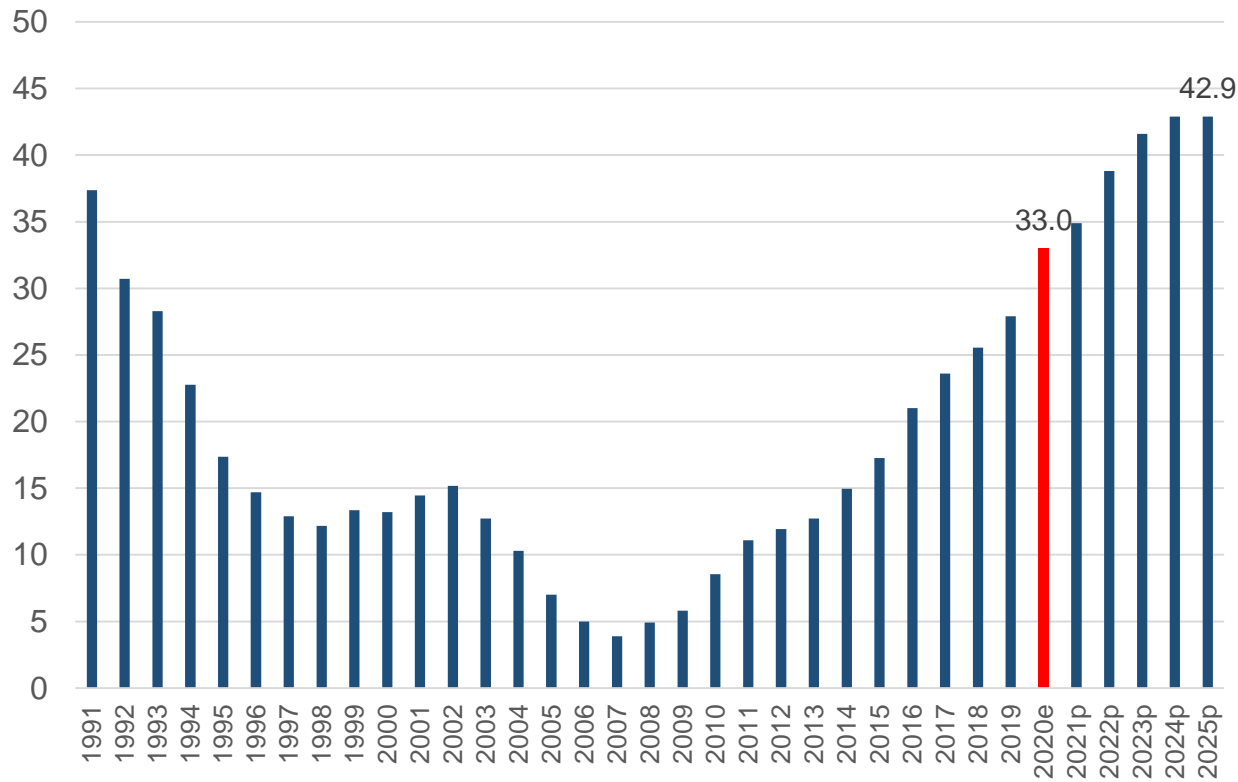
USD millions; marginal impact of a decline of USD0,01 in copper prices



Source: Budget Office.

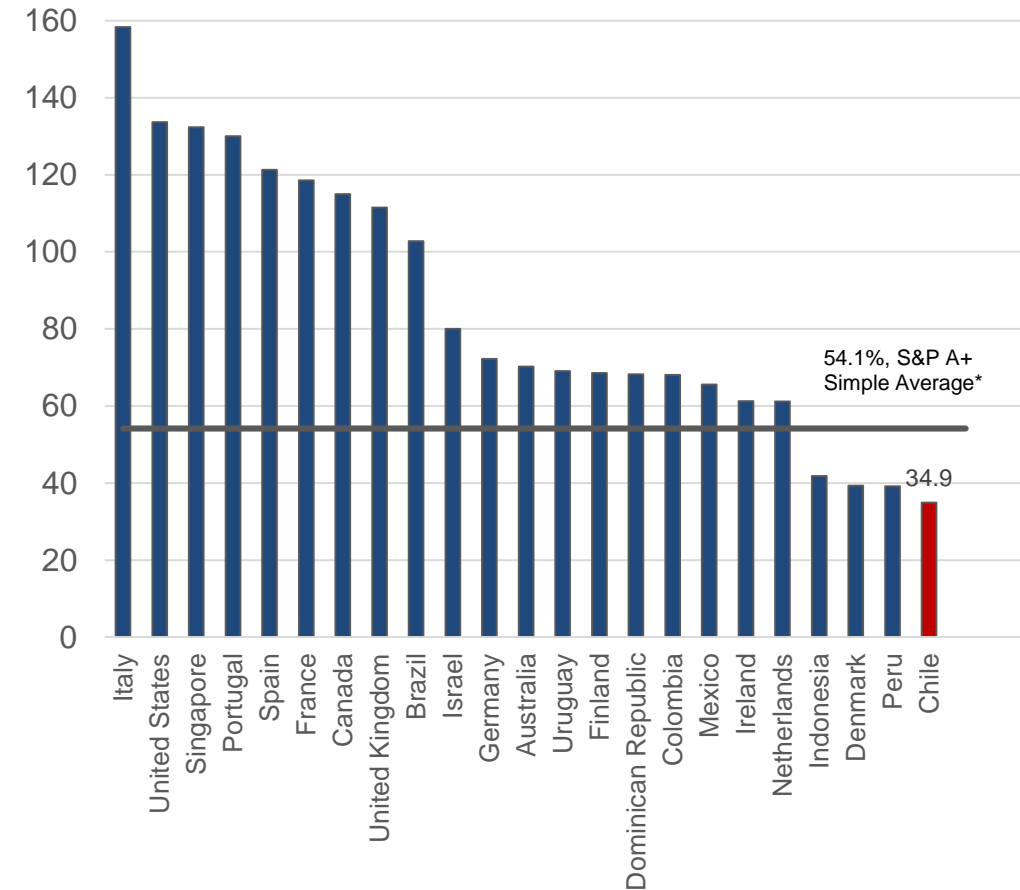
# Gross public debt is projected to stabilize below 45% of GDP, well below projections for peers.

**Central Government's Gross Debt**  
Percent of GDP



Source: Ministry of Finance.

**Gross Public Debt Forecast for Selected Economies**  
Percent of GDP, 2021



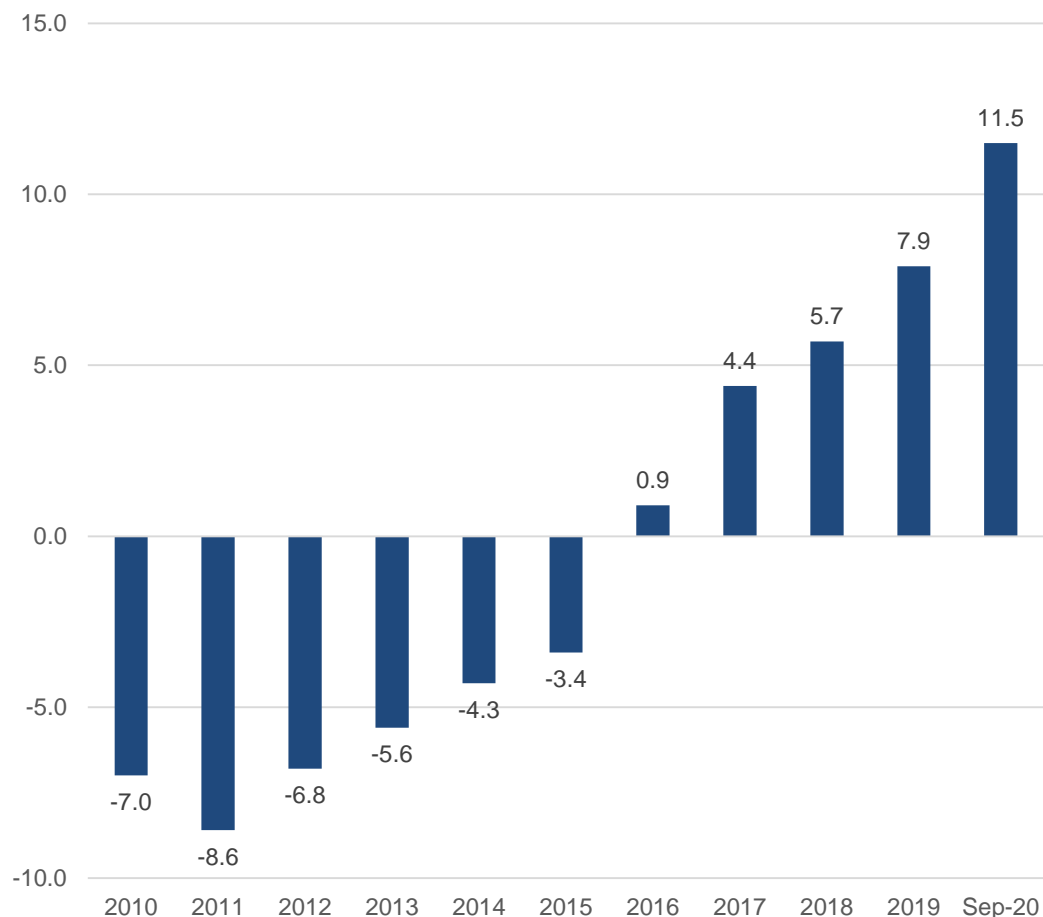
\* Includes Chile, China, and Slovak Republic

Source: All forecasts are from the IMF's Fiscal Monitor April 2020, except from Chile which was taken from IFP 4Q, 2020; Budget Office.

# Chile has the fiscal space to support the economy.

## Central Government's Net Debt

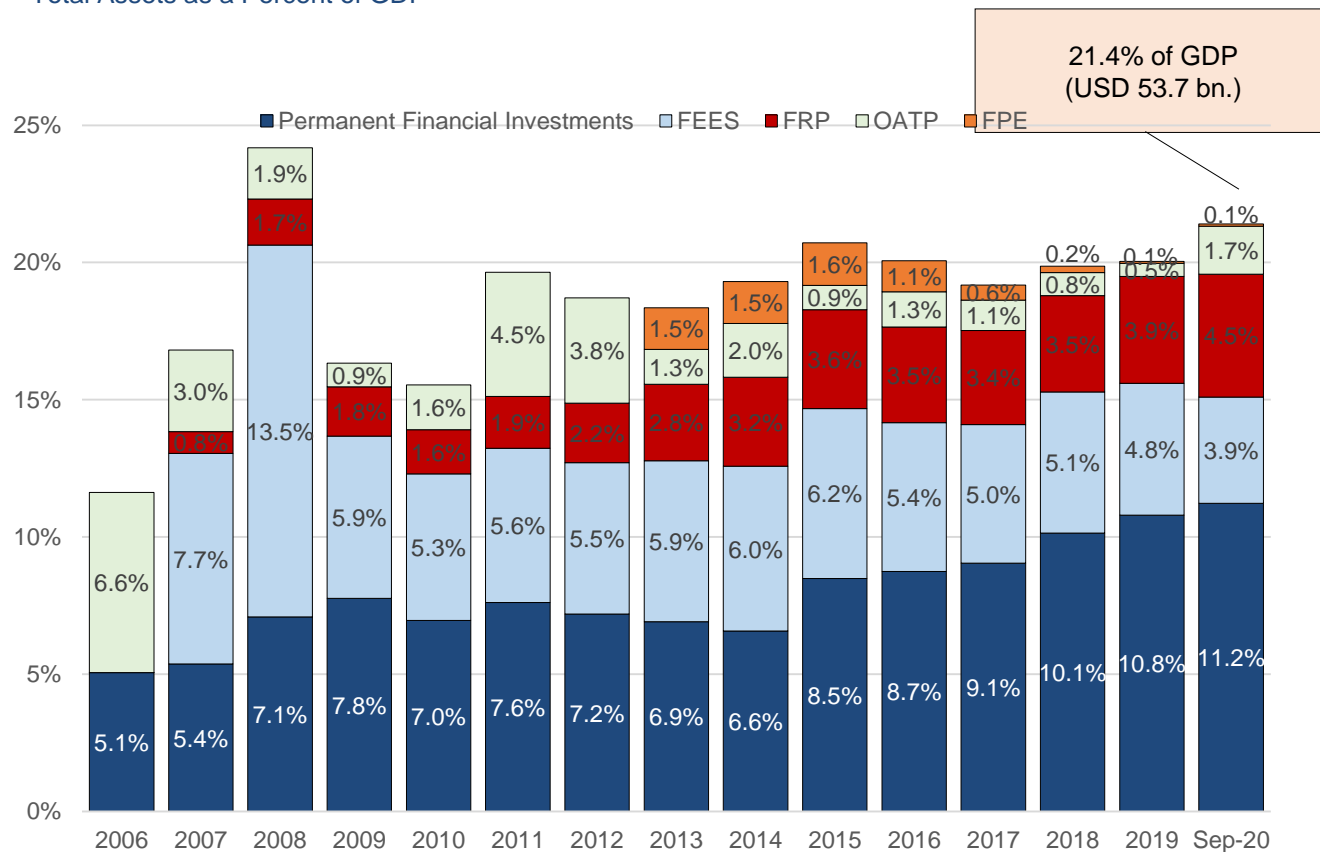
Percent of GDP



Source: Ministry of Finance.

## Public Treasury Assets(\*)

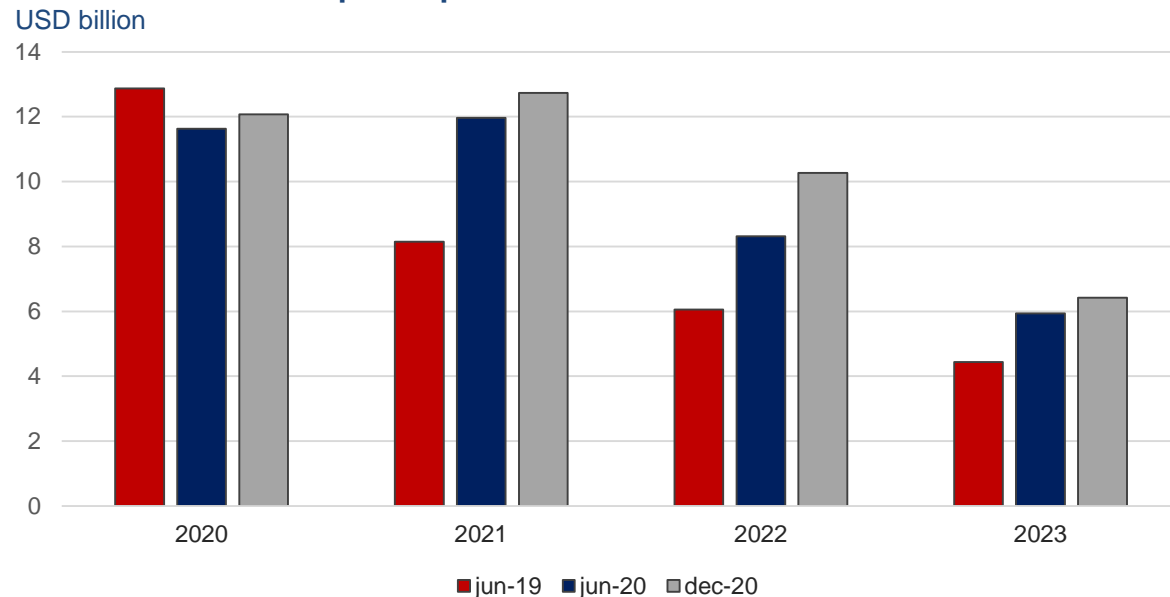
Total Assets as a Percent of GDP



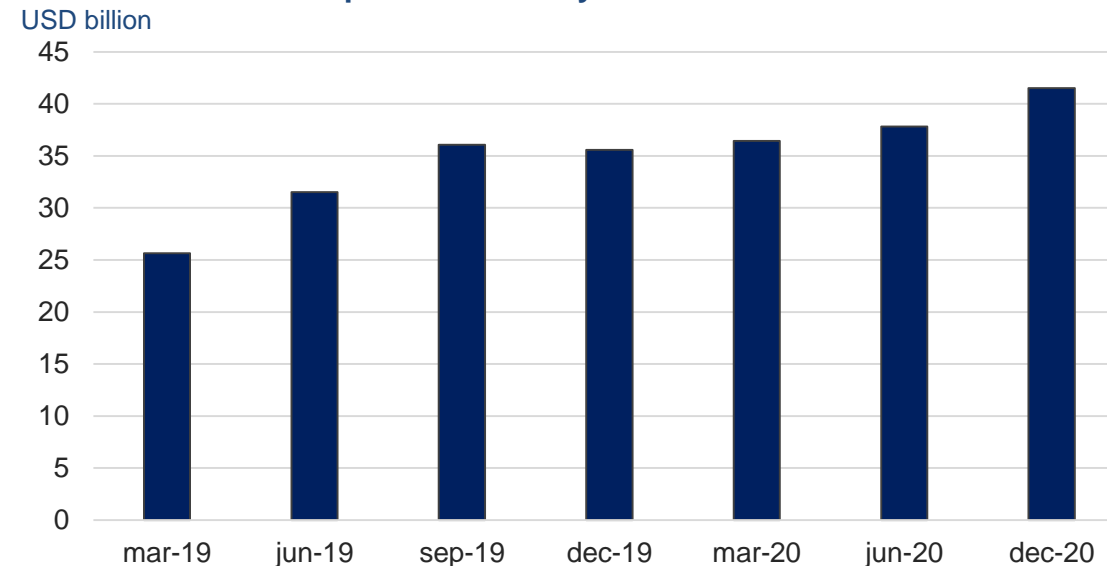
(\*) FEES: Economic and Social Stabilization Fund; FRP: Pension Reserve Fund; OATP: Other Financial Assets of Public Treasury; FPE: Education Fund; Permanent Financial Investments: Include historical capital transfers to State Owned Enterprises, student loans, participation in private utilities enterprises, among others.  
e: estimated

# Rising and diversified investment pipeline ahead.

Private Investment Pipeline per Year



Private Investment Pipeline over a 4-year horizon

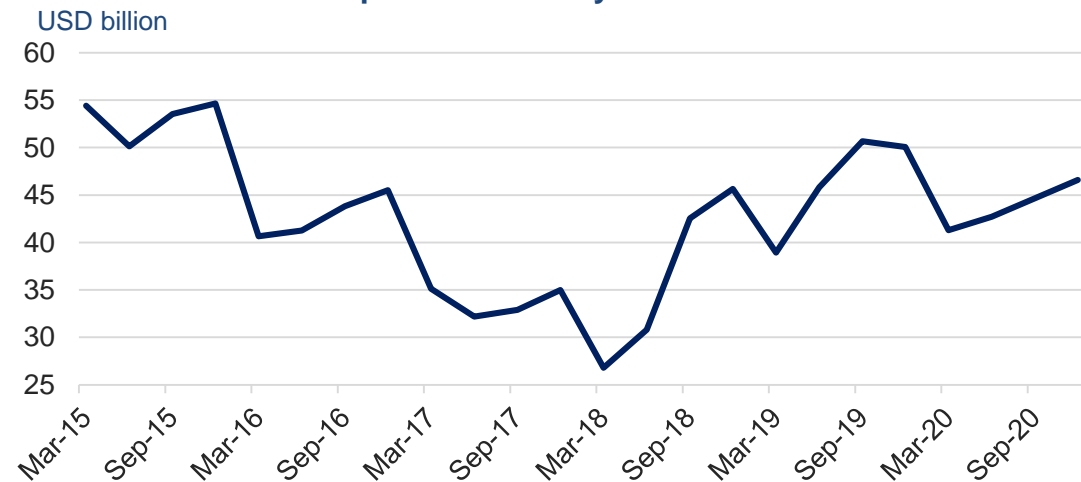


Private Investment Pipeline per Year by Sector

USD billion

	2020	2021	2022	2023	2024	TOTAL
Mining	3,306	5,305	5,015	2,428	1,430	17,484
Housing	1,851	2,213	1,933	1,061	611	7,669
Energy	4,138	2,560	893	519	175	8,285
Public Works	771	1,153	1,503	1,873	2,652	7,952
Others	1,208	840	874	502	209	3,633
Industrial	589	522	639	321	49	2,120
Forestry	782	582	0	0	0	1,363
Ports	17	84	55	40	7	203
<b>TOTAL</b>	<b>12,072</b>	<b>12,738</b>	<b>10,272</b>	<b>6,422</b>	<b>5,085</b>	<b>46,589</b>

Private Investment Pipeline over a 5-year horizon







# Boosting Investment

## Public Investment push

- 2,544 public investment projects totaling ~USD 34 billion in 2020-2022, of which USD 4.5 billion were recently added.

## Public Investment Pipeline per Year by Ministry

USD billion

Ministry	2020	2021	2022	2020-2022
Public Works	2,862	4,239	3,861	10,962
Housing	2,512	3,274	2,969	8,755
Transport & Telecommunications	140	128	181	449
Interior	1,882	2,101	1,783	5,766
Sports	40	84	136	260
Agriculture	112	187	154	453
Other Ministries	2,502	2,273	2,341	7,116
<b>TOTAL</b>	<b>10,050</b>	<b>12,286</b>	<b>11,425</b>	<b>33,761</b>

Source: Budget Office, based on preliminary data and subject to revision.

## Facilitating private investment projects

- 138 private projects totaling USD 24.5 billion over 2020-2022 have been identified and will be streamlined;
- Bidding and construction of 31 public works projects under concessions for ~USD 8.6 billion, including hospitals, airports, highways, among others;
- Tendering of 114 fiscal properties.



## Debt Management Strategy

### Strategy

- **Domestic:** to develop and lengthen yield curves (nominal and real), while deepening liquidity by fostering greater participation of non-residents
  - Recent issuances have strengthened new benchmarks and have created longer tenors, extending the debt maturity profile in line with international standards
- **External:** to establish benchmarks for Chilean companies in international capital markets
- **In addition:** to promote the development of a green asset class (social/green bonds) that attracts foreign investment in support of the country’s sustainable infrastructure needs, while diversifying the investor base

## Debt Issuance Plan for 2021

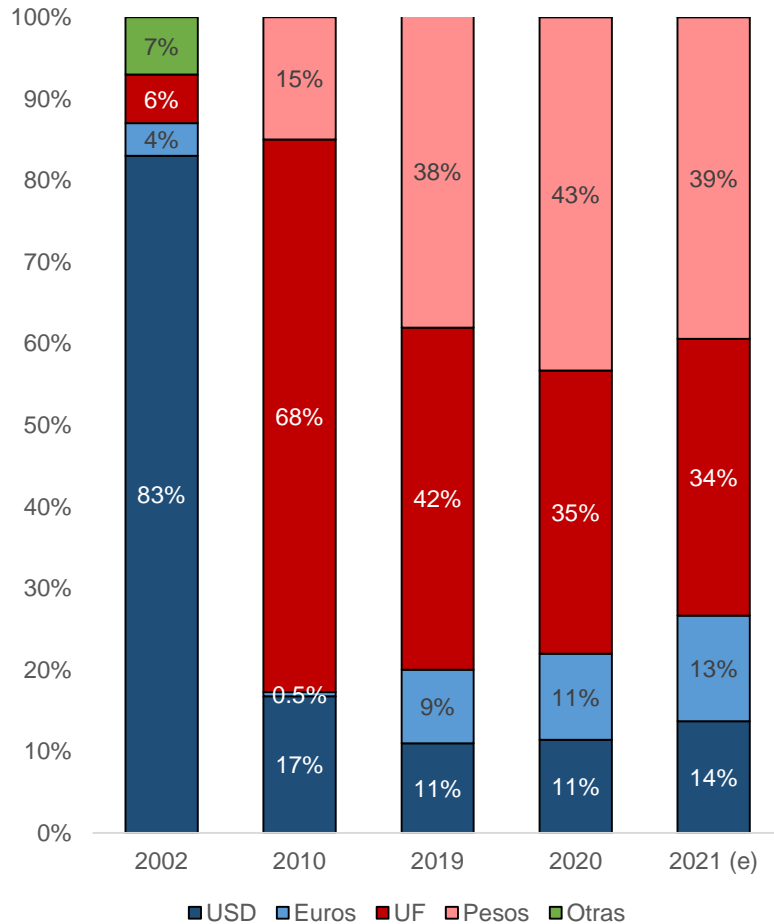
**Total bond issuances for up to USD19 billion in 2021 (includes new debt for USD12.75 billion, and USD6.25 billion to finance amortizations)**

- **The plan considers in foreign currency for up to USD6 billion and in local currency for up to US13 billion.**
  - By end-2021, 74% of is expected to be denominated in local currency and 26% in foreign currency .
- **Local currency issuances for up to USD13 billion of which USD4 billion would be in short-term notes and USD9 billion in medium to long-term bonds:**
  - Auctions for a total of USD10 billion, through the SOMA system of the Central Bank of Chile. These issuances will be announced in quarterly calendar updates.
  - Issuance(s) of peso “social” bonds for a total of USD3 billion allocated through a book-building process, in operations that will be duly informed before its execution.
- **Foreign currency issuances up to USD6 billion will likely include bonds with the “Green” or “social” labels. This operations are subject to market conditions and will be duly informed before their execution.**

Operation	Amount (USD billion)
Short term local currency debt	4.0
Medium to long-term local currency debt	9.0
Foreign currency debt	6.0
<b>Total 2020 Issuances</b>	<b>19.0</b>

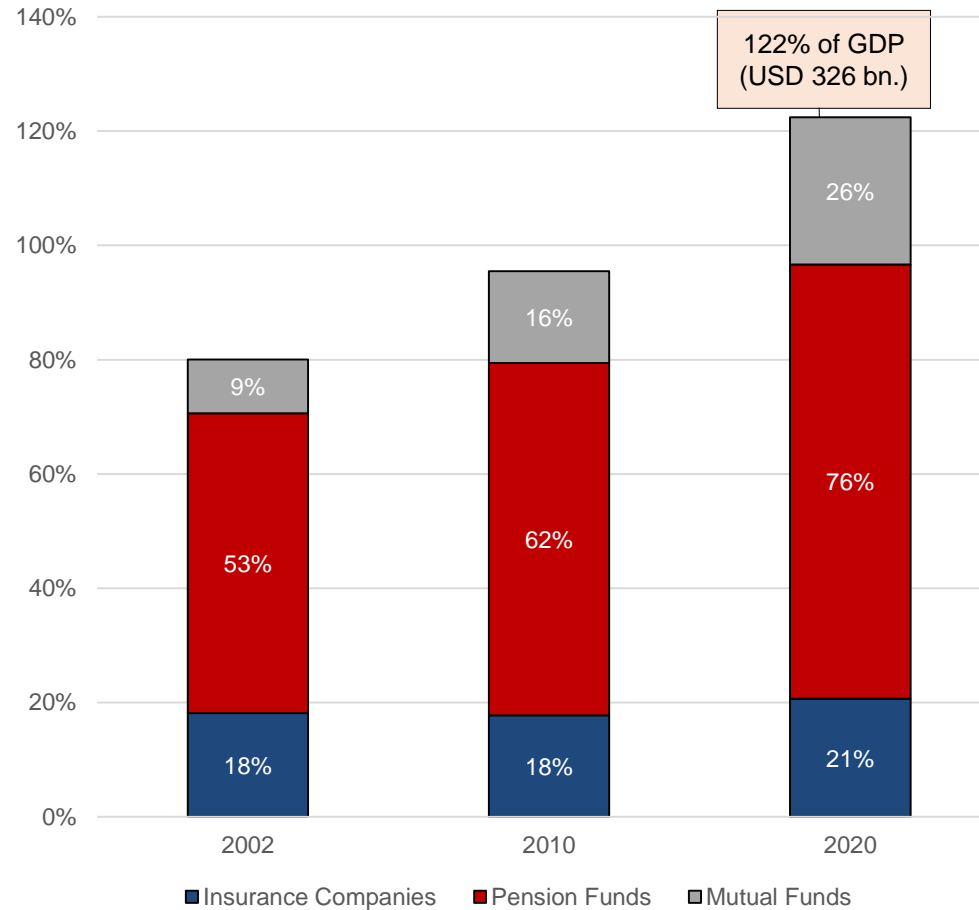
# Debt is mostly denominated in local currency, and held by important local institutional investors, while green bonds provide access to new investors.

**Debt Composition by Currency**  
Percent of total



Source: Ministry of Finance

**Total Assets Managed by Institutional Investors**  
Percent of GDP



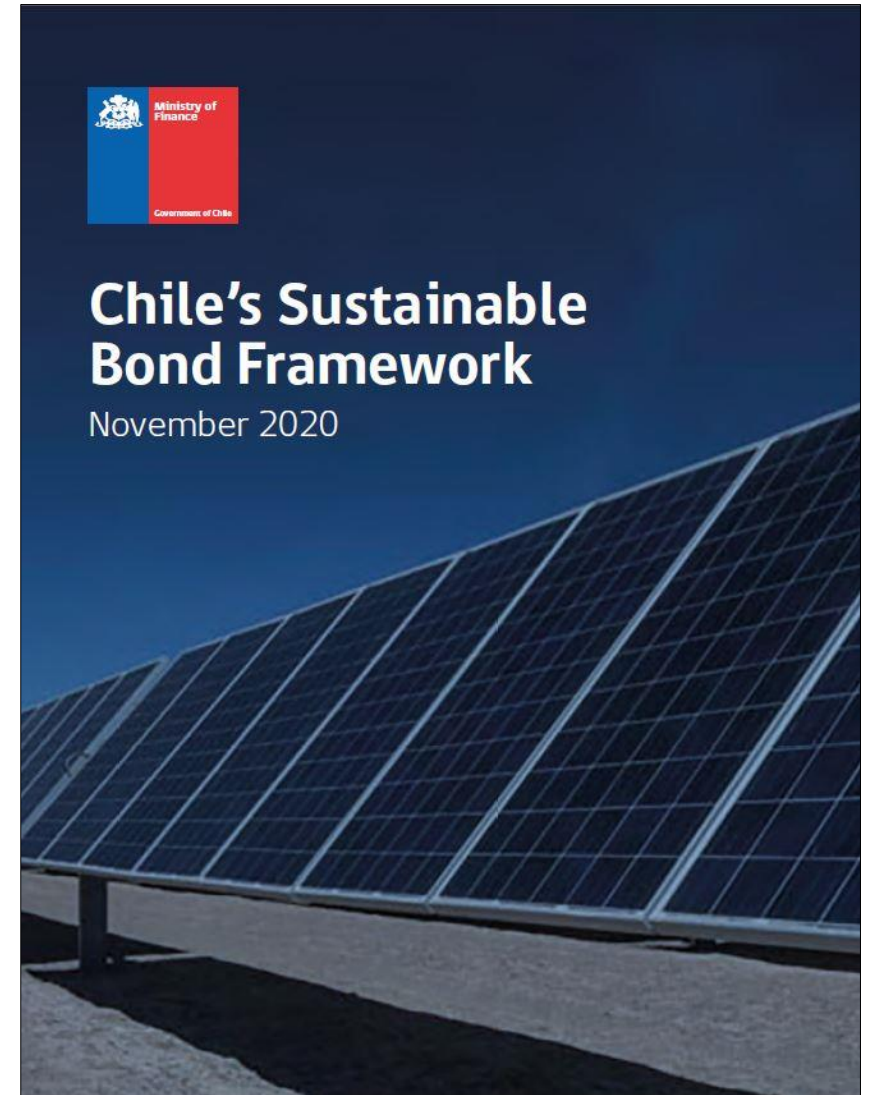
Source: Financial Market Commission



# Chile's Sustainable Bond Framework

November 2020

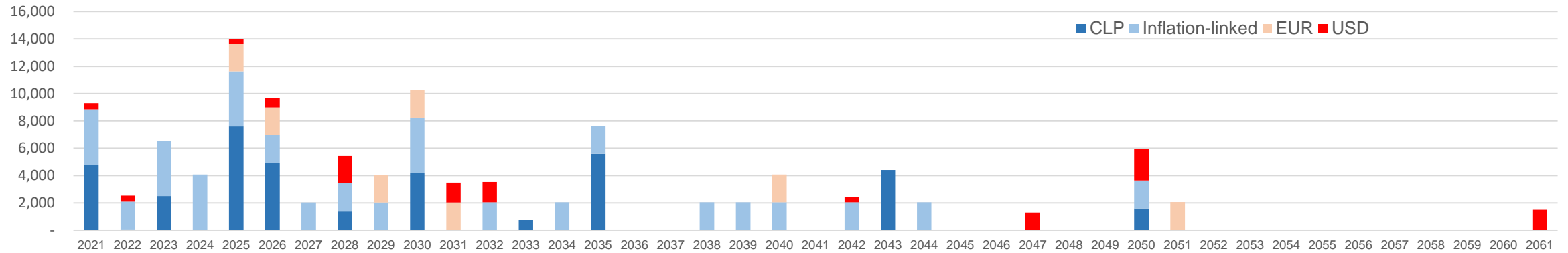
- The new framework updates and broadens the Green Bond Framework, laying the guidelines for the issuance of Chile's Social, Green, and Sustainable Bonds
- Like the Green Bond Framework, this new document establishes the Use of Proceeds, the Evaluation and Selection of the Projects' process, the Management of Proceeds and the Reporting process after the issuance of these instruments
- The Framework adds new social categories, including those that have been crucial in supporting the population most affected by the COVID-19 pandemic
- This framework complies with ICMA standards for Green and Social bonds and received a favorable SPO from Vigeo Eiris



# Chile's debt stands out among its peers by a high average maturity and well distributed maturities.

## Maturity Profile

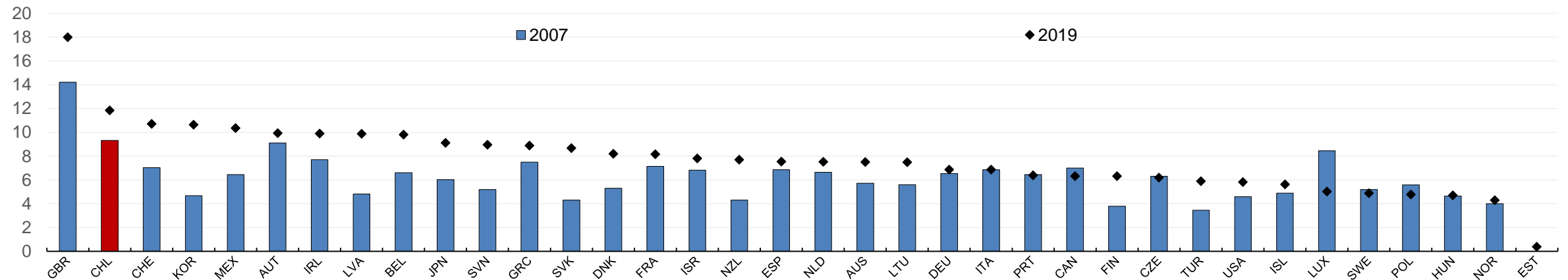
As of January 30<sup>st</sup>, 2021; USD billion



Source: Ministry of Finance

## Average term-to-maturity of Outstanding Marketable Debt in selected OECD countries

Calculated on December 31, 2007 and 2019; years

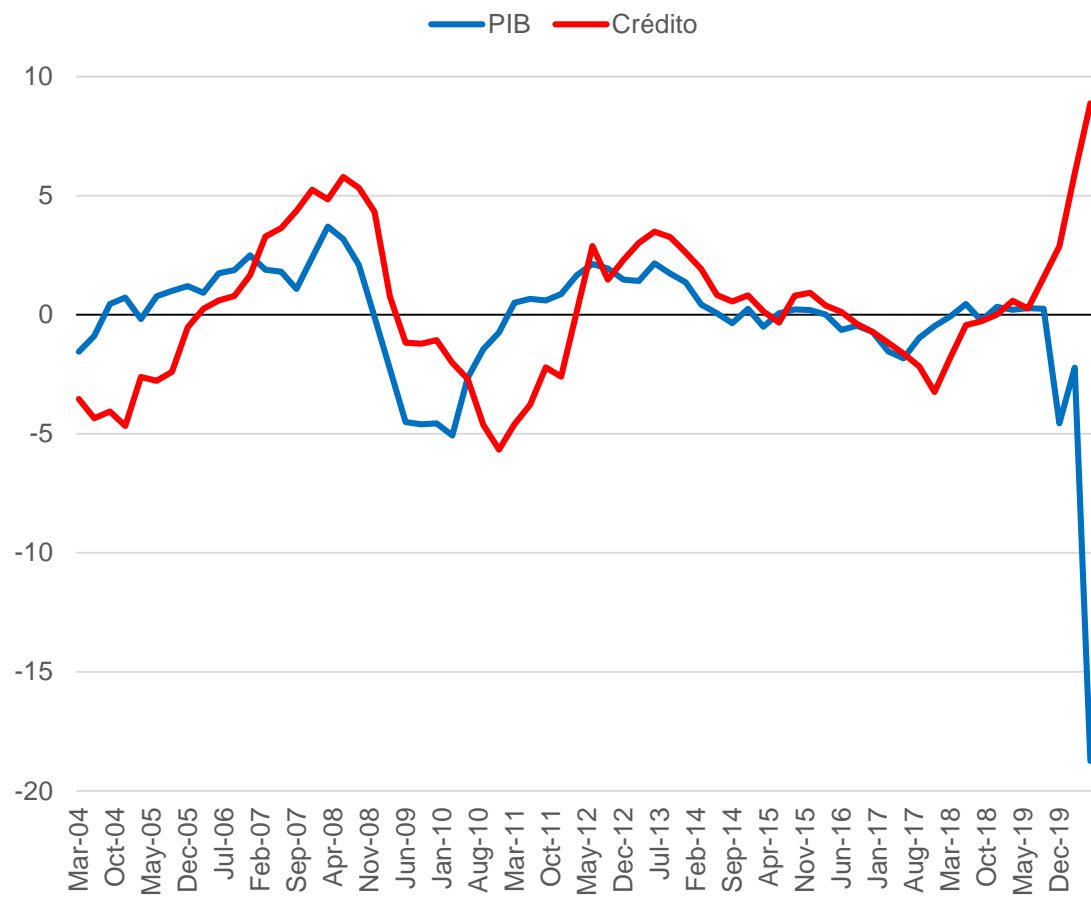


Source: OECD Sovereign Borrowing Outlook, February 2020.

# We continue to work on an agenda that strengthens the recovery, enhances competition, and lays the foundation for higher growth.

## Chile's Business & Credit Cycles \*

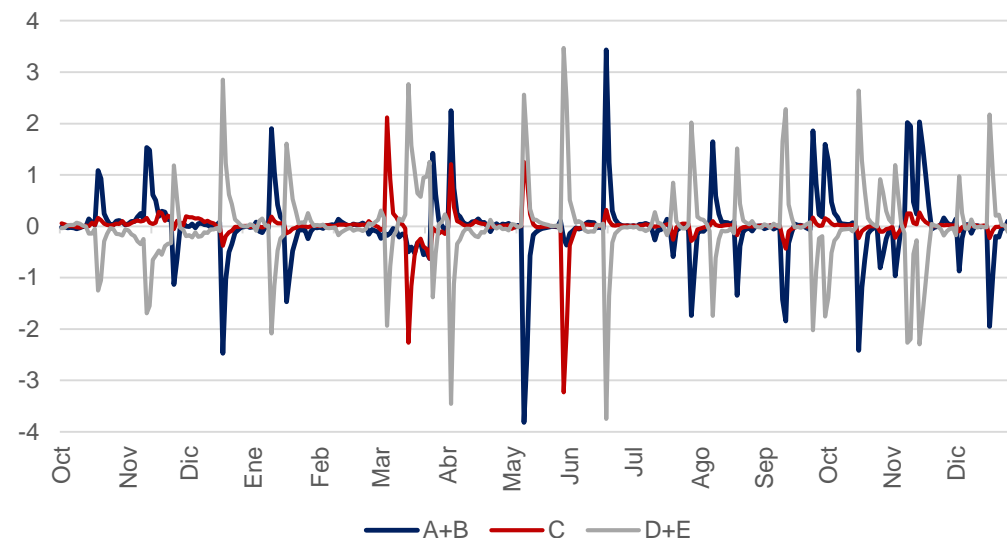
Percent, Deviation from trend



Source: Central Bank of Chile. \* Calculated as the difference between the log of the GDP level and credit, relative to a trend calculated using an HP filter

## Net Transfer Requests between Pension Funds

USD billions, between 10.2019 – 12.2020.



Source: Superintendencia de Pensiones.

### Legislative Initiatives: Ongoing and in the Pipeline

- Pensions;
- Adjusting the state-credit guarantee mechanism to support the credit channel;
- Regulation of changes in investment strategies in pension fund savings accounts;
- Bill to create a registry of consolidated debt;
- Fintech & Open Banking;
- Review of tax expenditures;
- Personal data bill;
- Public employment reform;
- Modernizing public procurement;

# Political Calendar Ahead

## An Overview of the 2021 Political Calendar

	Constitutional Process	Others	
2021	<b>Apr</b>	11th, Election of Constituents	11th - Regional Governors, Mayors, Councilmen
	<b>May</b>	14th, Deadline for Constituents to begin sessions	9th - Regional Governor runoff
	<b>Jul</b>		4th - Primaries for President, Senators, and Deputies
	<b>Nov</b>		21st - Election of President (First round), Senators, Deputies, Regional councilmen
	<b>Dec</b>		19th - Presidential runoff
2022	<b>Feb/May</b>	Deadline for Constituents to approval new Constitution (9/12 months after the beginning of sessions)	
	<b>Apr/Jul</b>	Referendum to approve or reject new Constitution (60 days after the approval of Constituents)	

Source: Ministry of Finance.

## Constitutional Process Timeline\*

### October 25th, 2020 - National Plebiscite

Q1. Do you want a new Constitution?

Approve or Reject

Q2. What type of body should draft the new Constitution?

Mixed Constitutional Convention or Constitutional Convention

Approve

Constitutional Convention

“Approve” reached 78% of the votes, and “Reject” the remaining 22%. Drafting a new constitution through a Constitutional Convention reached 79%, over the 21% of the Mixed Convention.

### April 11th, 2021 - Election of Conventional Constituents

#### Some norms and procedures of the Convention...

- A two-thirds majority of the Convention members is needed to approve the text of the new Constitution.
- Convention may not intervene or exercise any other functions over other organs or authorities.
- The Convention dissolves after the new Constitution’s text is approved/rejected by its members, or its term expires.

- ✓ Voluntary participation
- ✓ Election will take place on the same date as municipal and regional elections

### April 2022 (≤ 3 months) – Convention delivers Text

### July 2022 (≤ 3 months) – Plebiscite to Ratify Const.

Do you approve the text of the New Constitution proposed by the Convention?

Approve or Reject

Approve

Reject

- ✓ Mandatory participation
- ✓ Simple majority
- ✓ The text of the New Constitution to be ratified in a plebiscite that must be in accordance with the status of Chile as a Republic, its democratic regime, the judicial sentences, and the international treaties ratified by Chile.

President ratifies New Constitution.

Current Constitution remains

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