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**Latam Daily: Chile GDP Recap**

• **Chile: Moving slowly but in the right direction**

On Monday, August 19<sup>th</sup>, the central bank (BCCh) released the Q2-24 National Accounts, which showed a slight recovery of domestic demand, in a context where no relevant changes were observed with respect to the preliminary GDP figures revealed monthly by the BCCh. The convergence of the current account deficit towards sustainable levels stands out, at 3.1% of GDP, where financing is maintained—and even accentuated—by FDI. From this point of view, the new evolution seems positive and supports the view that a further real depreciation of the CLP is not necessary to ensure a further decrease in the deficit.

Total consumption experienced a seasonally adjusted decline of 0.6%, while investment expanded by a surprising 1.4%, both with respect to the previous quarter, the highest growth since Q3-22. This recovery has the same major culprit for its significant decline, machinery and equipment (M&E). As a result of a relevant fall in this component of investment, Chile broke away from the rather flat trend of total investment that we saw for the world average. Indeed, the seasonally adjusted fall in investment observed in Chile since mid-2023 was completely orthogonal to that observed in the rest of the world, although certainly some economies showed huge expansions (Mexico), while others, consecutive falls (Canada). Casuistic information regarding m&e dynamics refers to the already known difficulties to materialize investment to restrictions in credit lines in a context of significant increase in m&e prices as well as regulatory issues in vehicles.

Construction within investment, a substantive and always worrying component from several real and financial dimensions, would confirm that the worst is behind us after showing a slight increase after two flat quarters. It will take time to see a substantial recovery of this component on the private side, but it seems that we are facing symptoms of stabilization.

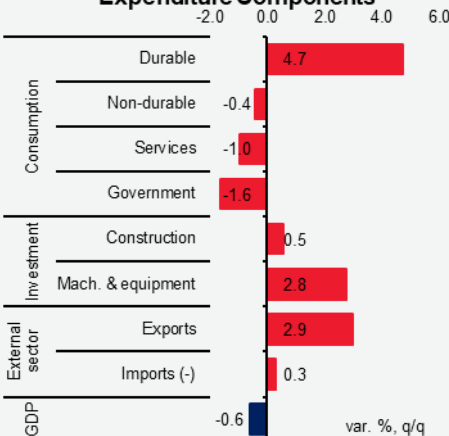
It seems relevant to reflect on the decline in private consumption driven by non-durable goods and services. In some dimension, climatic factors could have played a relevant (transitory) role, which was not shown on the durable goods side, which showed a strong growth of 4.7% q/q (chart 1). This remarkable recovery allows the level of durable goods consumption to be very close to the one seen by the end of 2022 and 5% above the level of Q3-19. This is good news, as durable goods end up largely reflecting the perception of household wealth that was in continuous decline until the middle of last year. The perception of political and economic uncertainty “made in Chile” has receded and that certainly reassures households.

These National Accounts leave a marginally positive taste. Things seem to be moving in the right direction. Probably not as strongly as many would like, but finally towards the desired shore. Also, this slight reconfiguration of domestic demand tends to provide some room for frontline counter-cyclical policies to move in the direction already outlined, perhaps with somewhat greater intensity than thought a few weeks ago.

—Aníbal Alarcón

Chart 1

**Chile: Q2-24 GDP Growth by Expenditure Components**



Sources: BCCh, Scotiabank Economics.

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