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# Latam Daily: Chile GDP Recap, Steady but Depressed Consumption

## CHILE: NATIONAL ACCOUNTS CONFIRM STEADYING OF PRIVATE CONSUMPTION AT LOW LEVELS AND IMPROVEMENT IN CURRENT ACCOUNT DEFICIT

On Friday, August 18<sup>th</sup>, the Central Bank (BCCh) published GDP growth for Q2-23, confirming a 1.1% y/y decline in the quarter. By economic sectors, the GDP contraction is explained by non-mining activity, which fell 1.1% y/y due to the decline in commerce and industry, while mining GDP fell 1.2% y/y. For its part, domestic demand fell 5.6% y/y, mainly due to the contraction of private consumption (-6.1% y/y), while government consumption grew 1.5% y/y. Compared to the previous quarter, GDP fell by 0.3% in Q2-23, showing a stabilization of private consumption at low levels (chart 1).

With these figures, GDP fell by 1% y/y in the first half of 2023, with a 6.6% contraction in private consumption and a 0.4% contraction in fixed investment, while public consumption rose by 2% y/y.

In our view, the y/y decline in private consumption would continue in the second half of this year, but at a moderate pace, while public consumption will require a sharp downward adjustment to reach the commitment reflected in the fiscal budget.

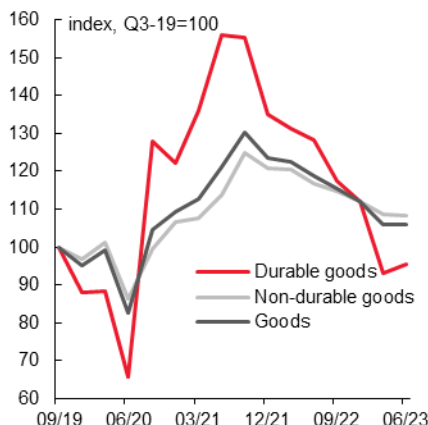
Regarding fixed investment, the quarterly survey published by the Capital Goods Corporation (CBC) in Q2-23 revealed an increase in the total amount of expected investment to be materialized in the next 5 years (2023–2027), mainly due to improved outlays in mining and energy projects. By 2023, the total amount of investment to materialize (with defined schedule) increased from USD 14.7 bn to USD 16.9 bn (chart 2), reducing the gap with respect to 2022 thanks to increases concentrated in the energy and mining sectors. In our baseline scenario, fixed investment would decline by around 1% in 2023. Nevertheless, we continue to project a 0.8% contraction in GDP this year.

Finally, the current account deficit improved to 4.5% of GDP in the last 12 months to Q2-23, in line with our expectations and supporting our view of a rapid convergence to a sustainable level by December 2023 (-2% of GDP), faster than projected by the BCCh in its recent IPoM (-3.7% of GDP).

—Aníbal Alarcón

Chart 1

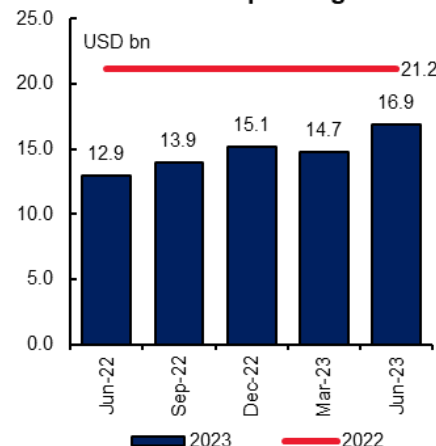
Chile: GDP by Expenditure, Goods Consumption



Sources: Scotiabank Economics, BCCh.

Chart 2

Chile: CBC Survey, Expected Investment Spending



Sources: Scotiabank Economics, CBC.

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