



Head Winds and Switching Mode

Chile Day – London
September 8th, 2015





Agenda

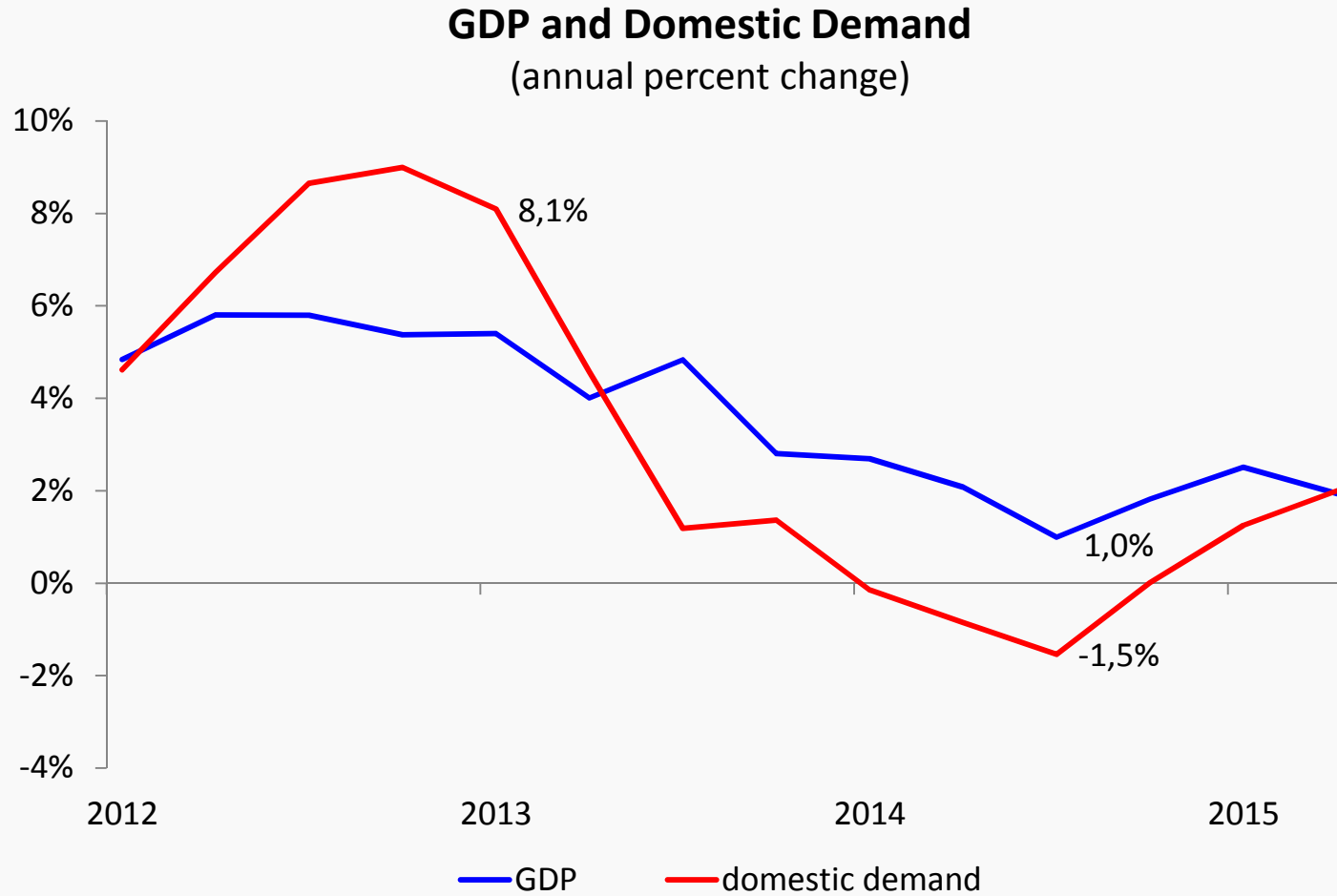
Macroeconomic situation

Reform agenda and growth

Confidence, transparency and good politics



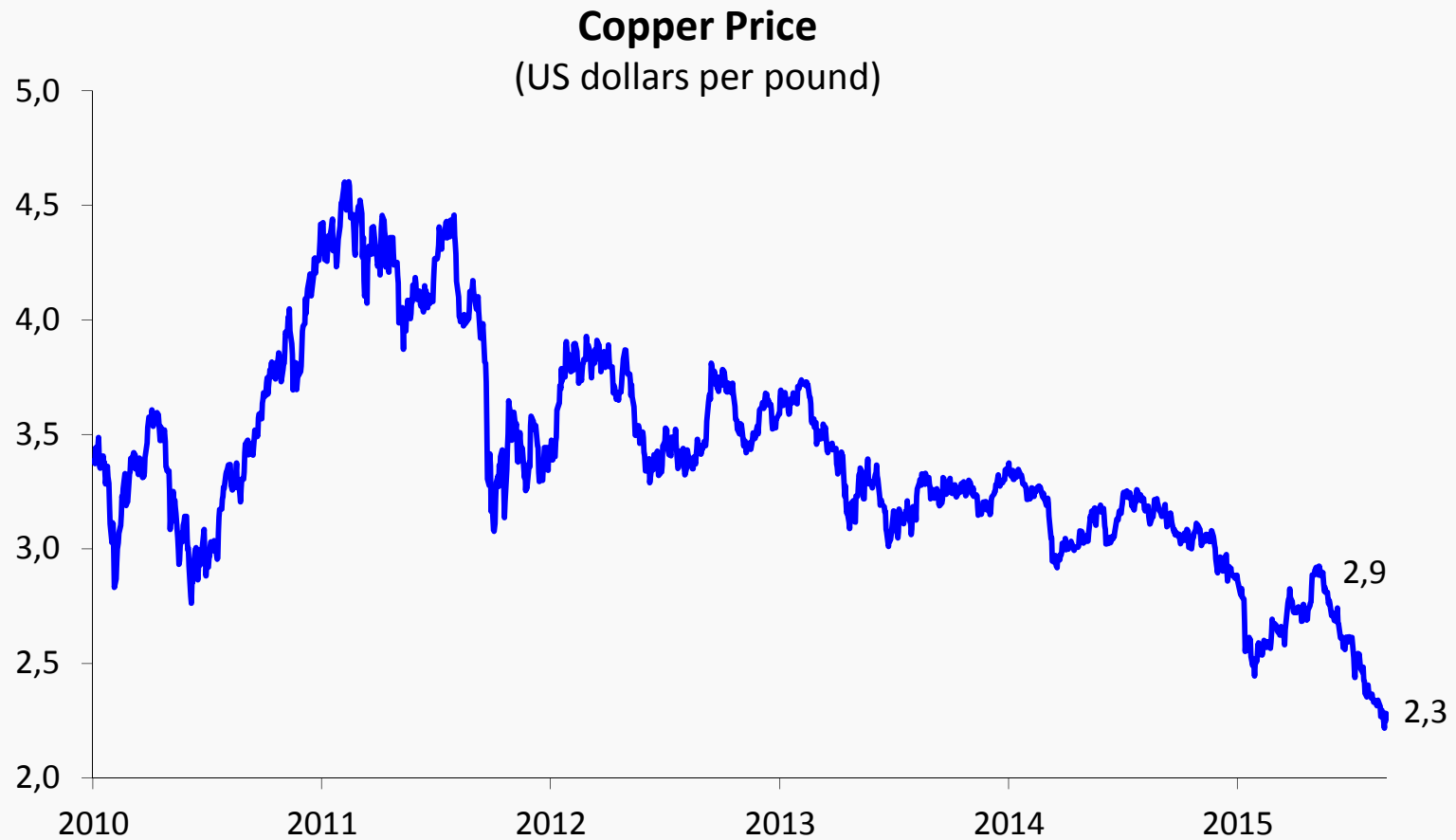
Regaining footing after a prolonged deceleration



Source: Central Bank of Chile.



Main (but not unique) driver of the likely end of the commodity super cycle

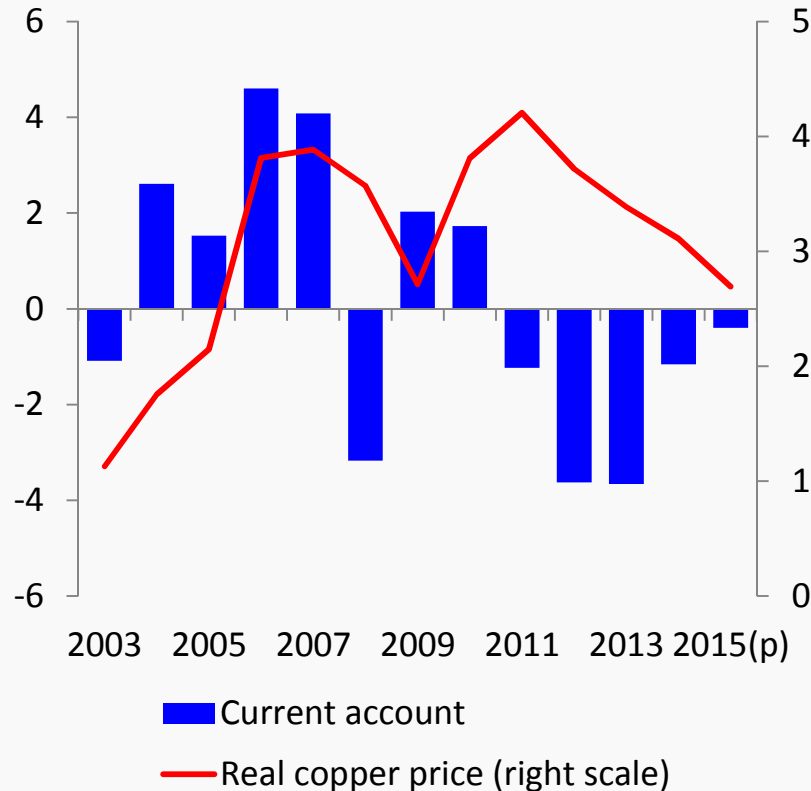


Source: Bloomberg.

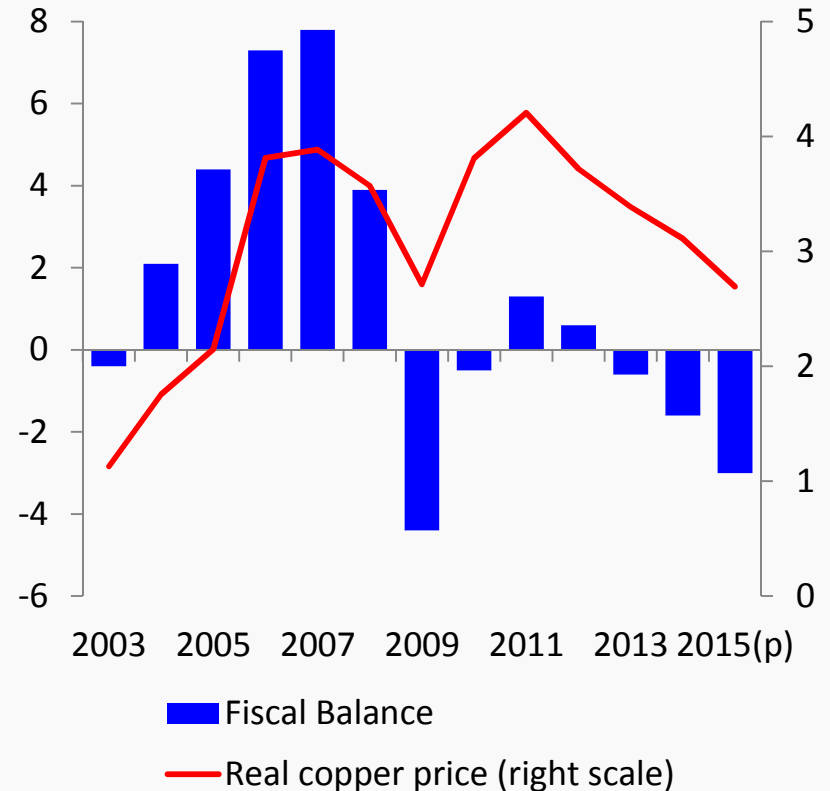


Initially most of copper windfalls were saved...

Current Account Balance and Copper Price
(percentage of GDP, US dollars per pound)



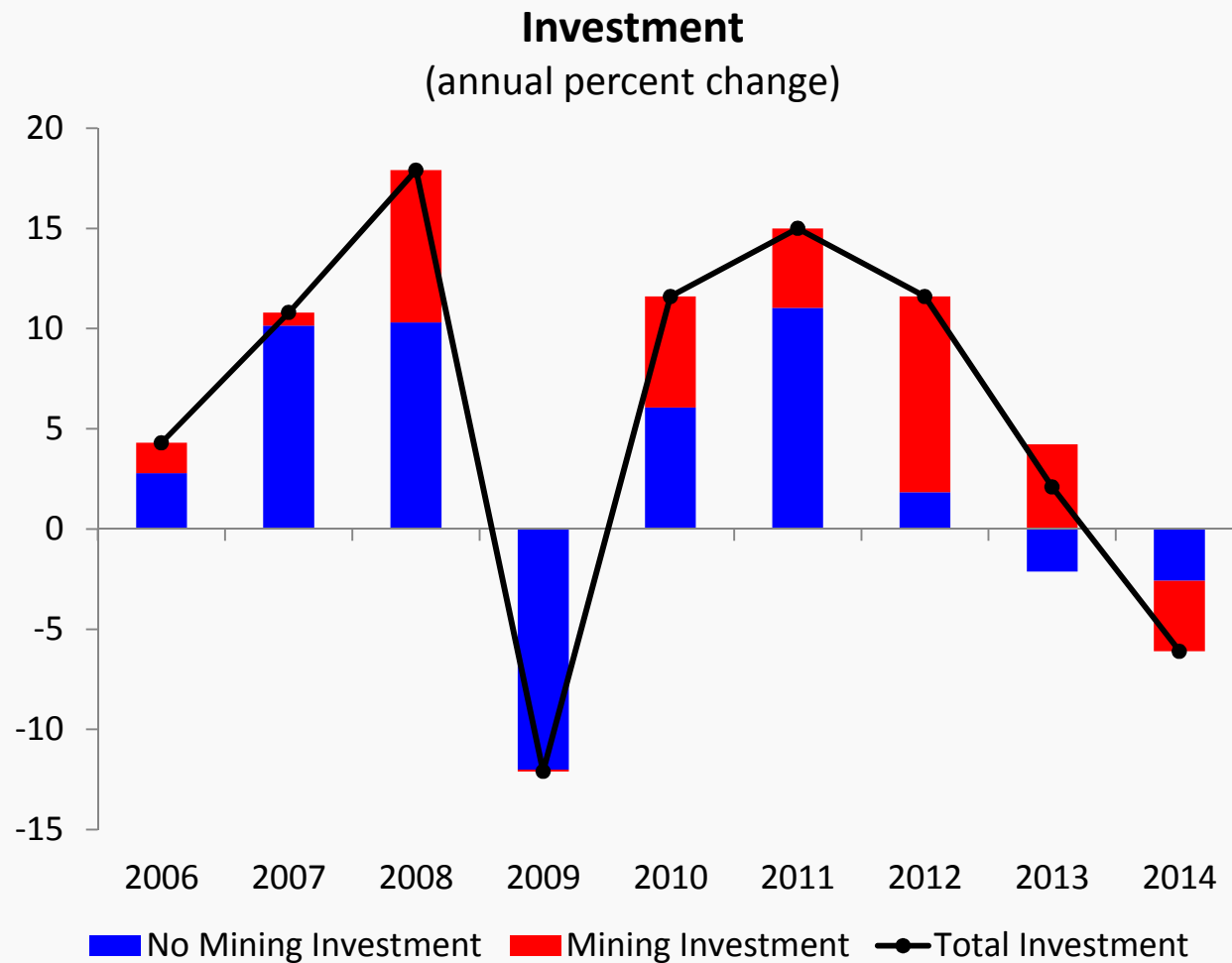
Fiscal Balance and Copper Price
(percentage of GDP, US dollars per pound)



Source: Central Bank of Chile and Budget Office (DIPRES).

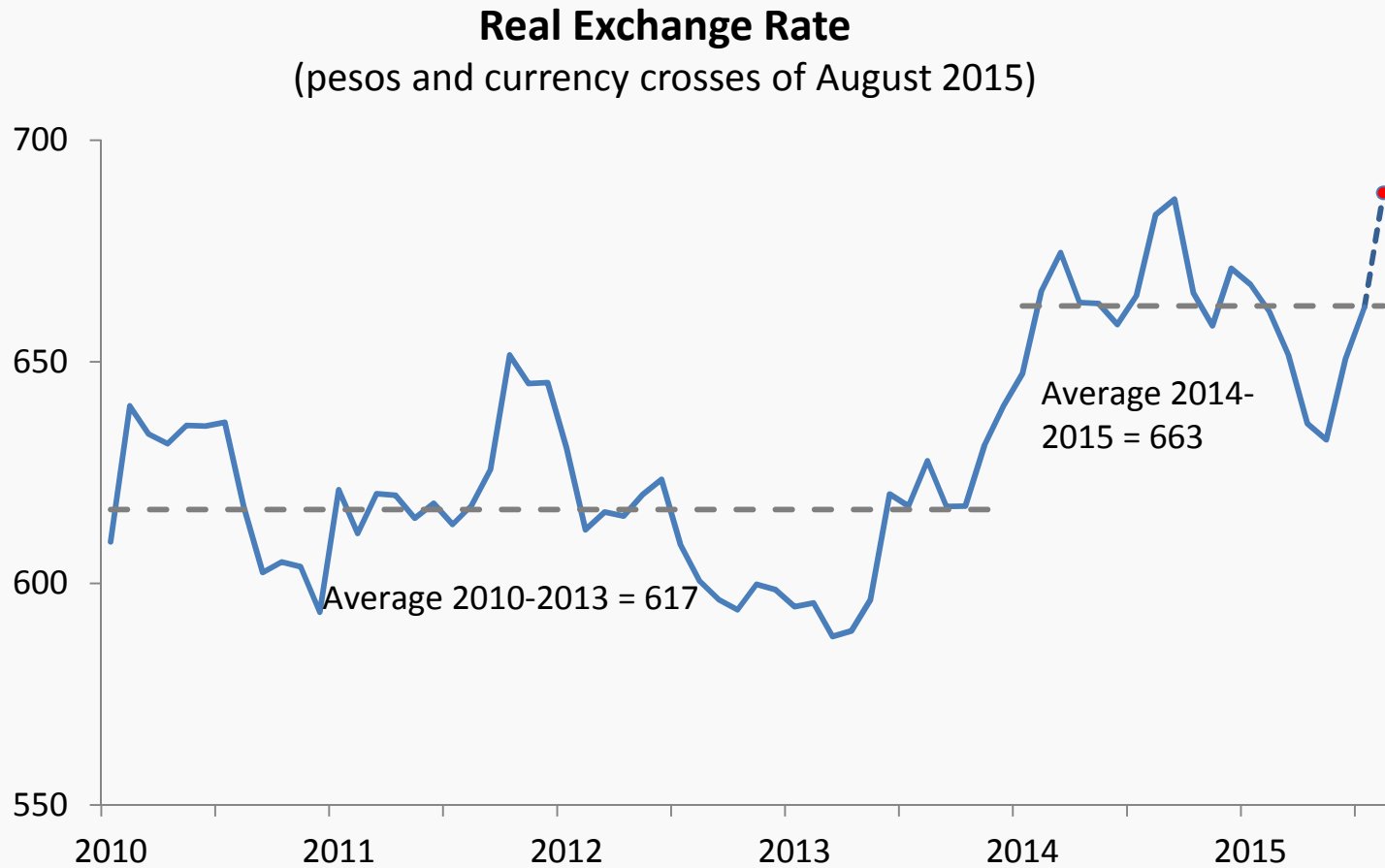


... but mining investment (and government) boomed, with substantial spillovers





Peso real depreciation is the key signal for switching

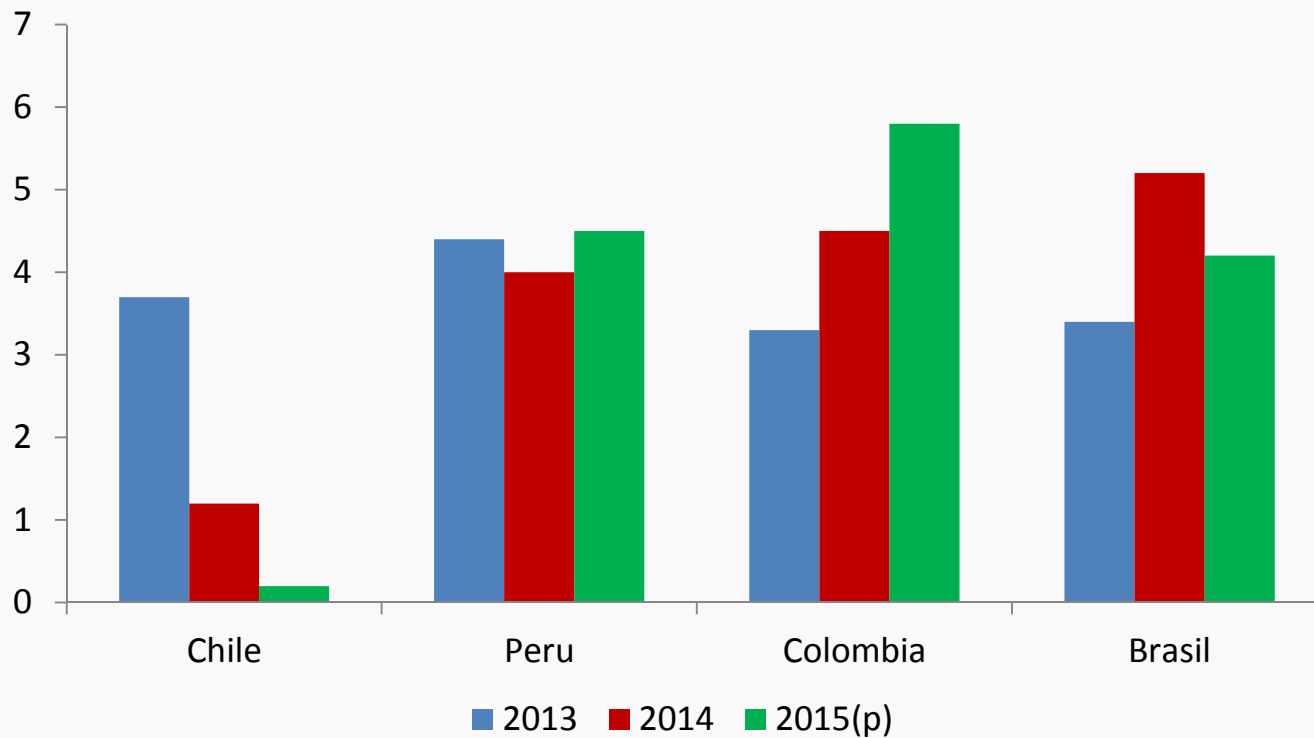


Source: Central Bank of Chile.



Rapid external accounts adjustment

Current Account Deficit
(percentage of GDP)

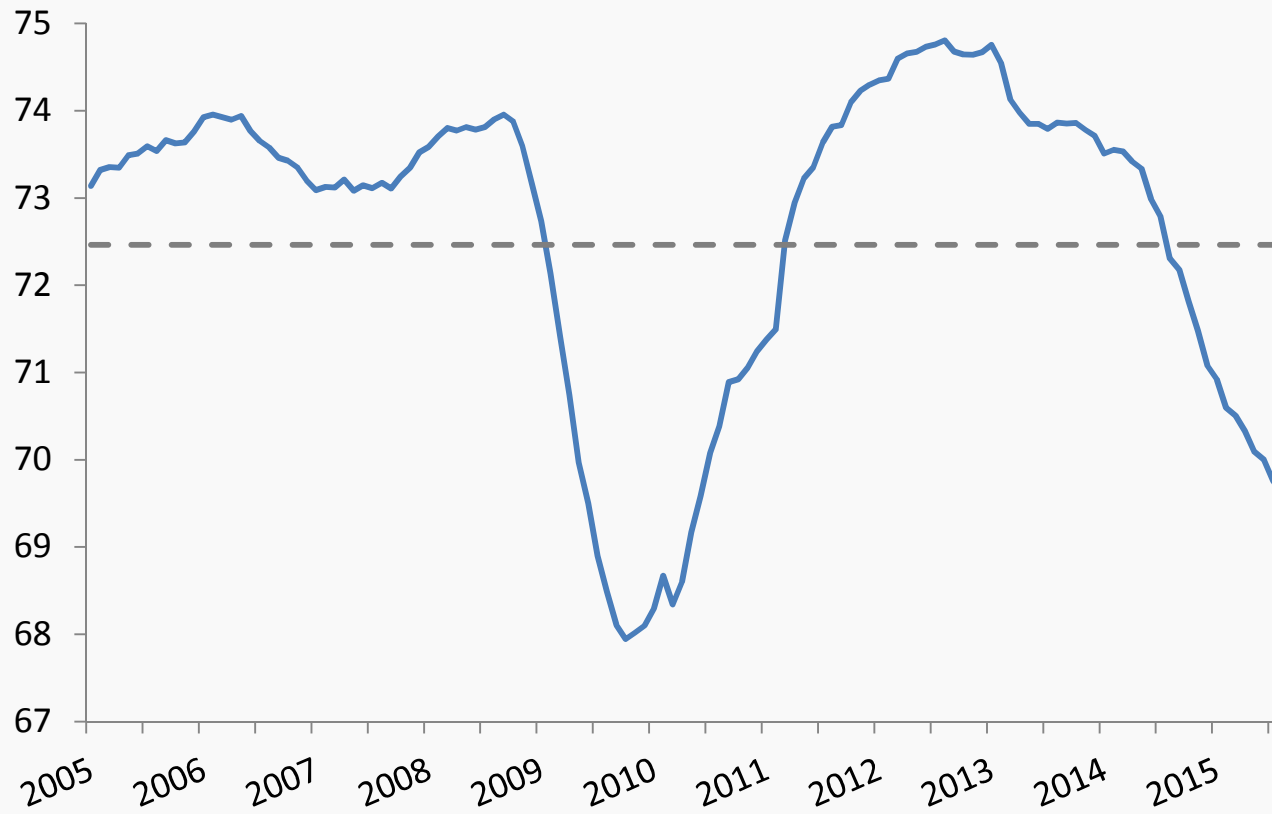


Source: Central Bank of Chile and Consensus Forecast.



Reallocation across sectors is not automatic

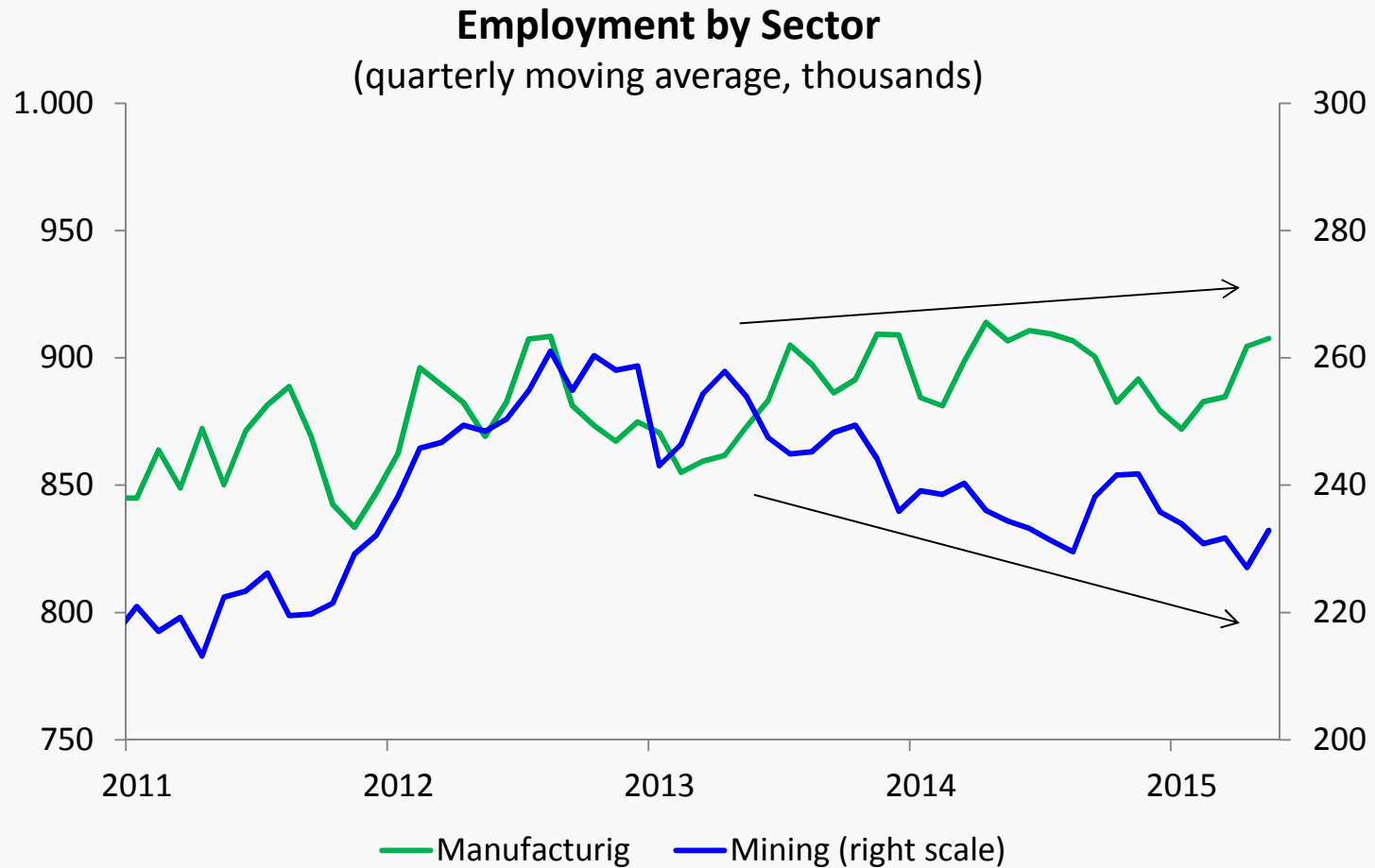
Manufacturing Sector Utilization Capacity (IMCE)
(annual moving average, percentage)



Source: ICARE-UAI.



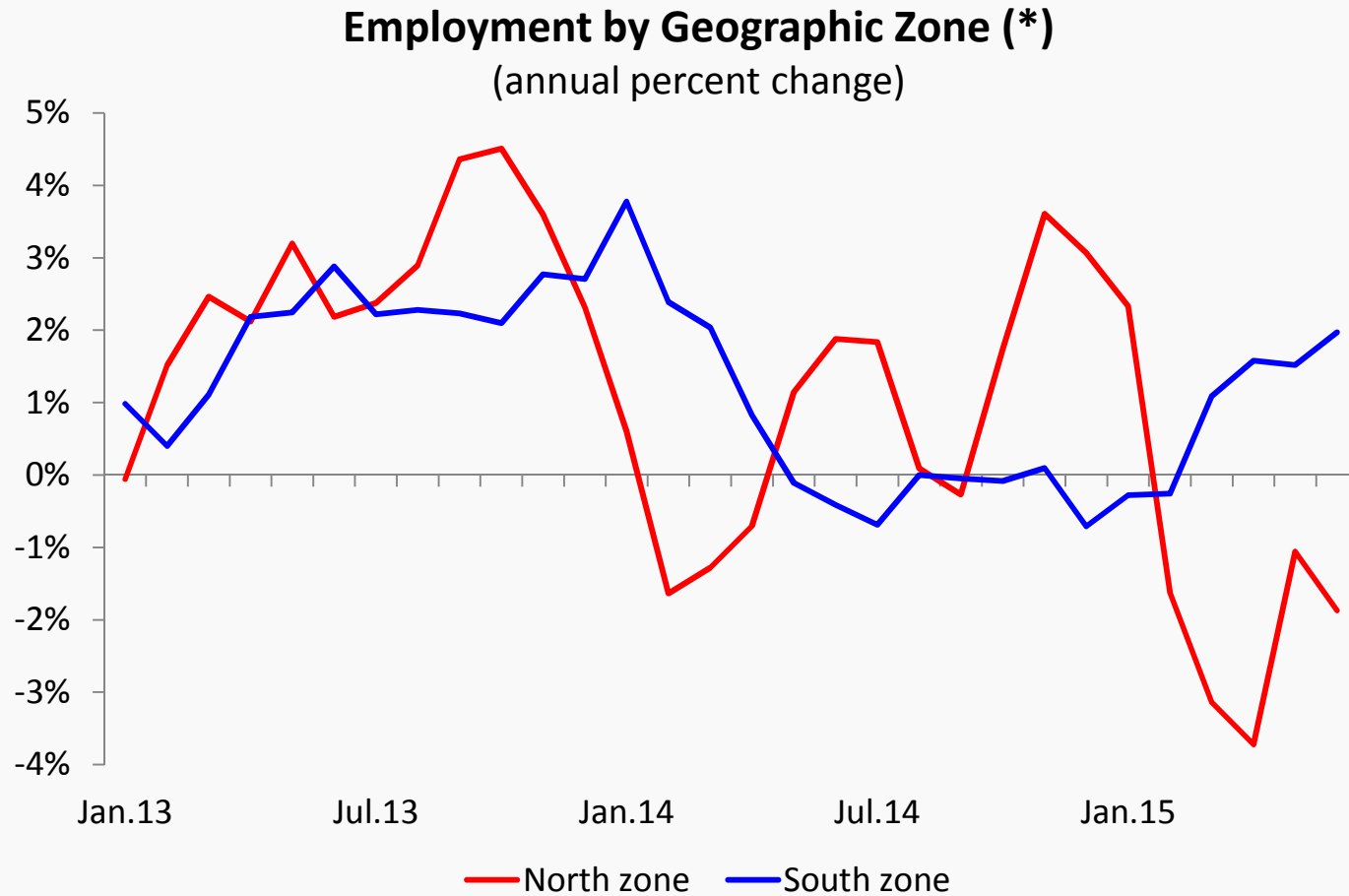
Part of the labor reallocation is starting to happen across sectors...



Source: National Institute of Statistics (INE).



...and across regions

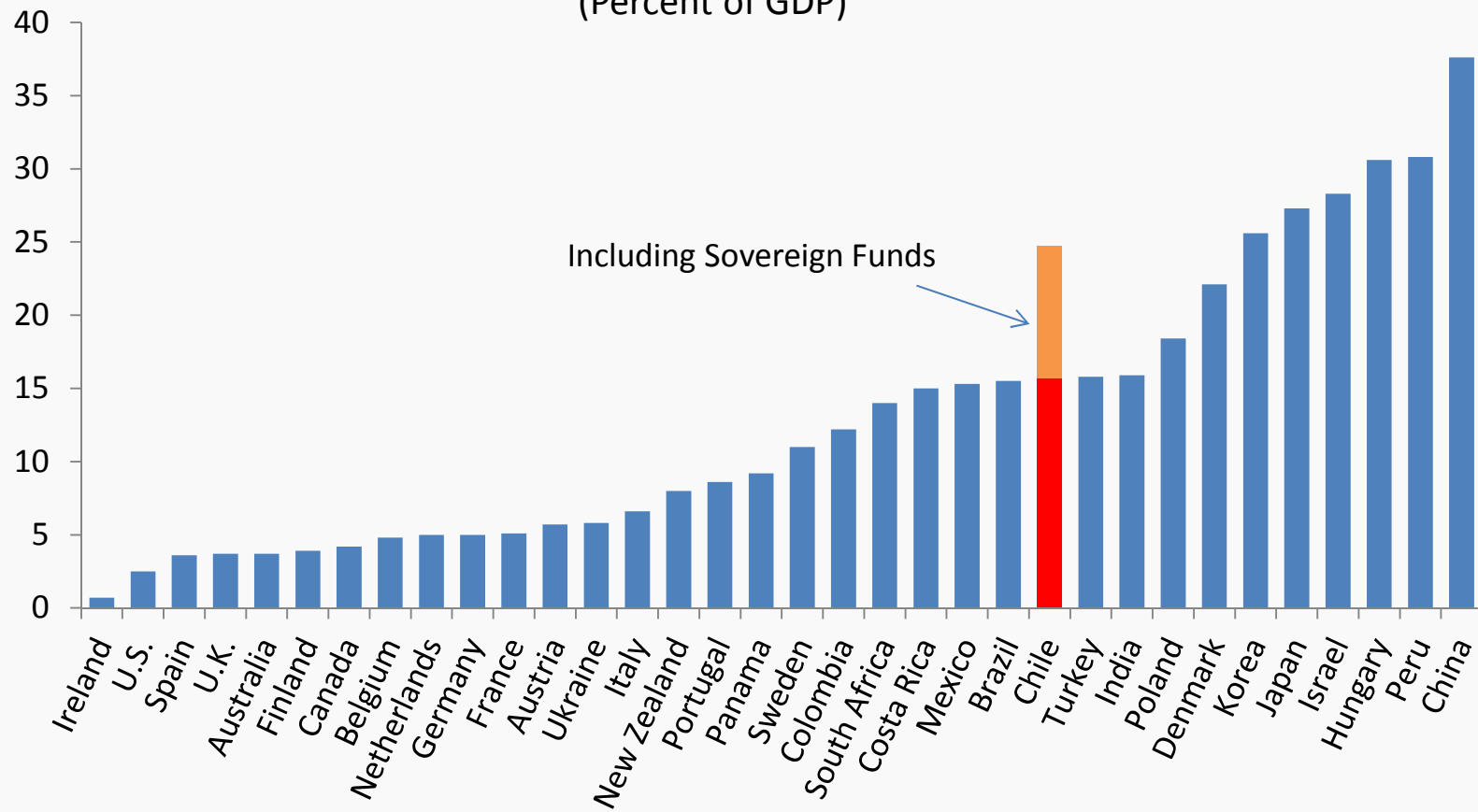


(*)North zone : Antofagasta and Atacama; South zone: Maule to the south
Source: National Institute of Statistics (INE).



Solid foundations to confront more extreme scenarios

International Reserves (2014)
(Percent of GDP)

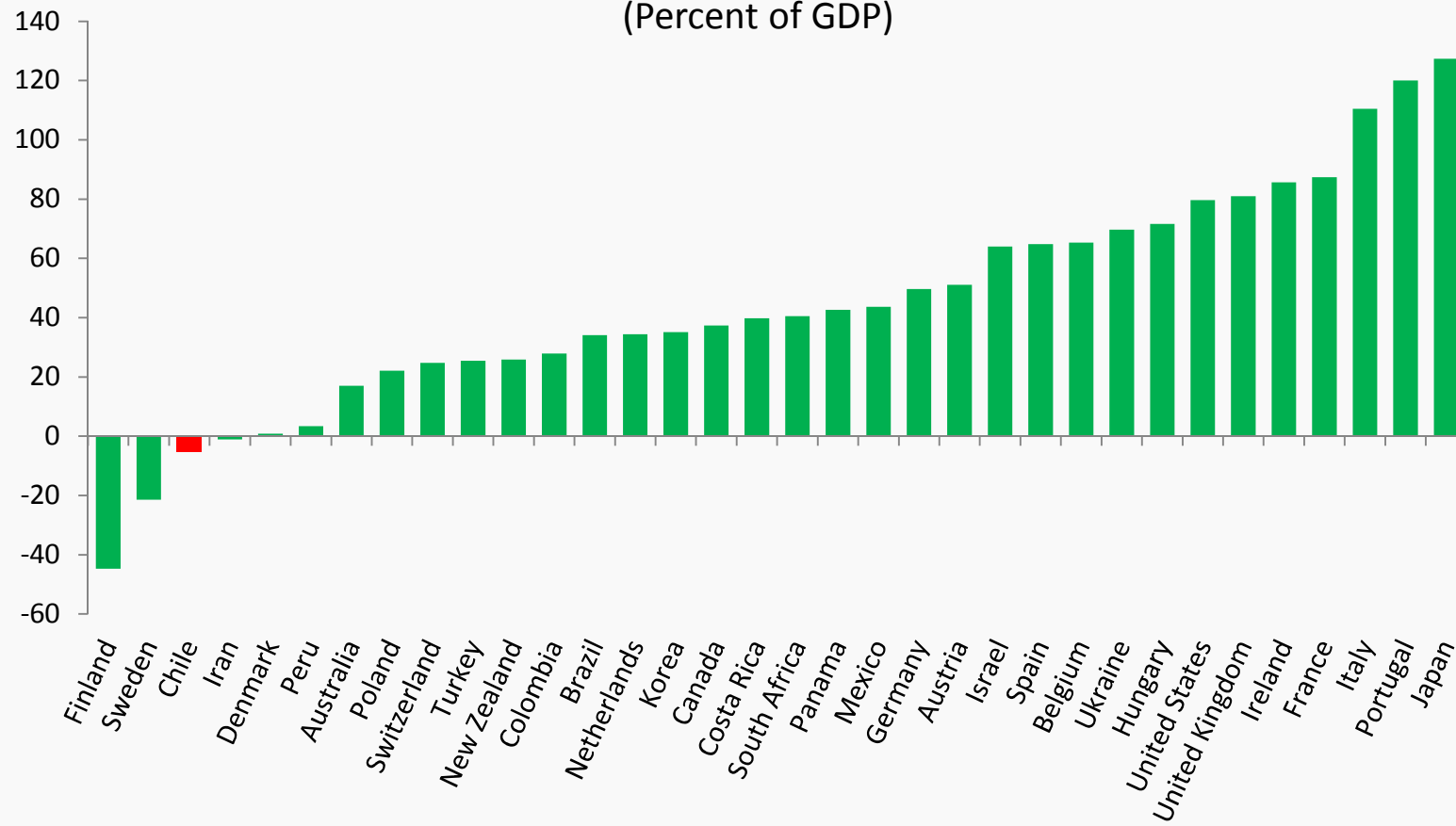


Sources: World Economic Outlook, IMF, World Bank.



Solid foundations to confront more extreme scenarios

General Government Net Debt (2014)
(Percent of GDP)



Source: World Economic Outlook, IMF.



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Special attention to the specifics and contours of new legislation

New career for school teachers

Parking fees

Glacier protection

Water code reform



We are open to hear new ideas and improve our key ongoing initiatives

Improving Consumer Protection Agency (SERNAC)

Fostering competition

Simplifying Tax Reform

Balancing Labor Reform

Gradual phase-in of new General Banking Law



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Transparency and Integrity in Business and Politics Agenda

Quick response to scandals

14 administrative measures

21 new laws



Closing remarks



Thank you

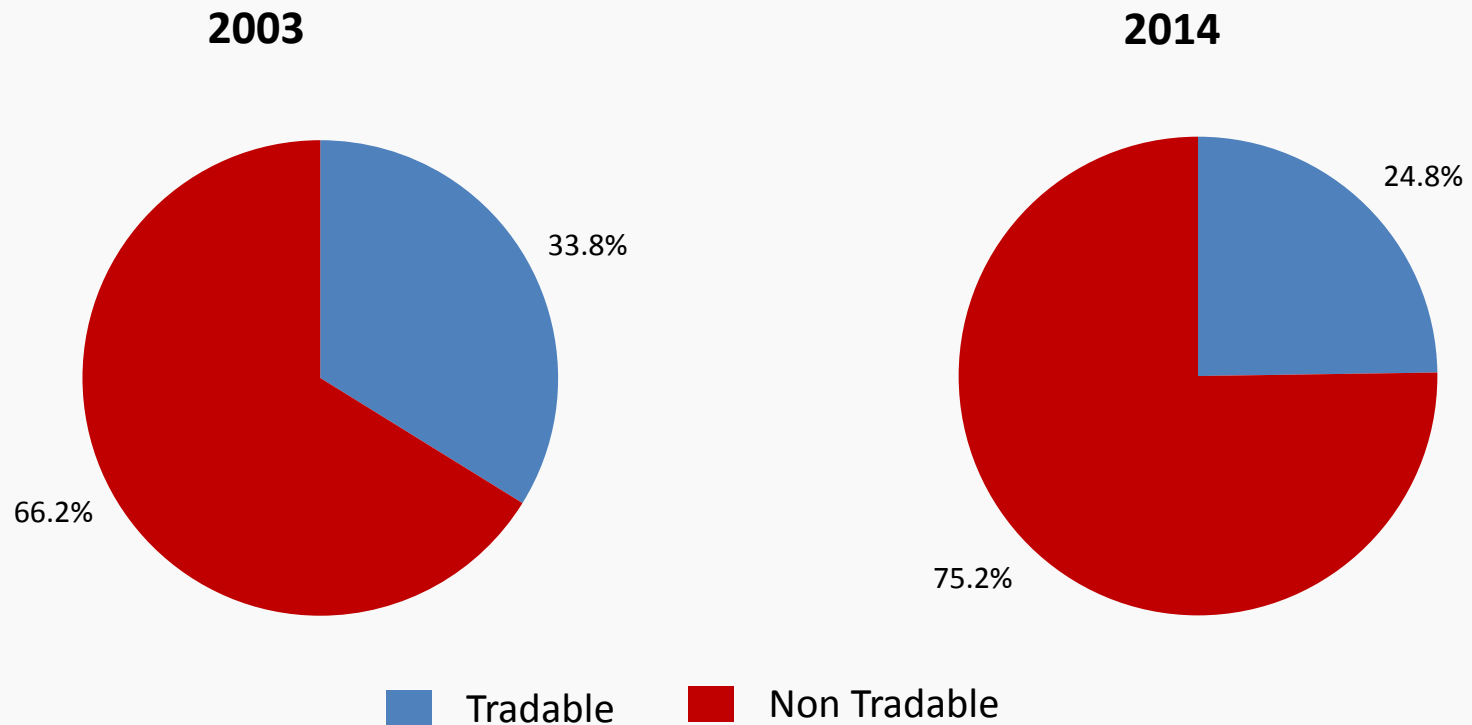
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Tradable sector lost relevance over the years

Sectoral Composition of GDP
(percentage)



Tradable: Agriculture, Fishery, Mining and Manufactures; Non Tradable: Utilities, Services and Public Administration.
Source: Central Bank of Chile.