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Table 1: Chile—GDP and Current Account

% change	2021
Gross Domestic Product	11.7
Domestic demand	21.6
Consumption	18.2
Investment	17.6
Exports	-1.5
Imports	31.3
Current Account (% of GDP)	-6.6

Sources: Scotiabank Economics, BCCh.

Latam Daily: Chile's 2021 GDP Growth Tees Up 2022

- Chile: GDP expanded 11.7% in 2021; January's GDP growth revised upward

CHILE: GDP EXPANDED 11.7% IN 2021; JANUARY'S GDP GROWTH REVISED UPWARD

On Friday, March 18, the central bank (BCCh) released its final estimate of 2021 GDP, which grew 11.7%, down slightly from the preliminary estimate of 12%. According to the BCCh, private consumption expanded 20.3% last year, fueled by the relaxation of COVID-19 restrictions, pension fund withdrawals, and direct fiscal transfers. At the same time, government consumption grew 10.3%, in line with the fiscal budget. Total consumption increased 18.2%.

GDP growth was also driven by a strong recovery in investment in addition to consumption. Investment expanded 17.6%, led by a 26.4% increase in the machinery component, which was explained by a higher investment in vehicles for industrial use. In addition, the BCCh reported an expansion of 12.3% in construction investment owing to the development of mining projects (table 1).

Consistent with strong consumption and investment, the commerce sector grew 24.1% in 2021. Activity in services increased as a consequence of lower mobility restrictions (chart 1), highlighted by the performance of personal services (22.4%), mainly health and education, and transport (12.9%).

The current account deficit widened to -6.6% of GDP, up from -1.7% in 2020, which is worrisome in terms of sustainability. Higher private consumption pushed up imports of durable goods. Based on the increase in the current account deficit, we should not expect a strong real appreciation of the Chilean peso over the next several quarters.

January's economic activity was revised upward from -1.0% m/m to 0% due to improved performance by non-mining sectors, which expanded 0.8% m/m (up from the previous estimate of -0.5% m/m). On average, non-mining economic activity has stabilized in the last three months (chart 2).

Our takeaway from the final 2021 national accounts estimates and the economic activity numbers for January is positive for 2022 GDP growth and we anticipate an upward correction in consensus forecast, currently at 2%.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

Chart 1

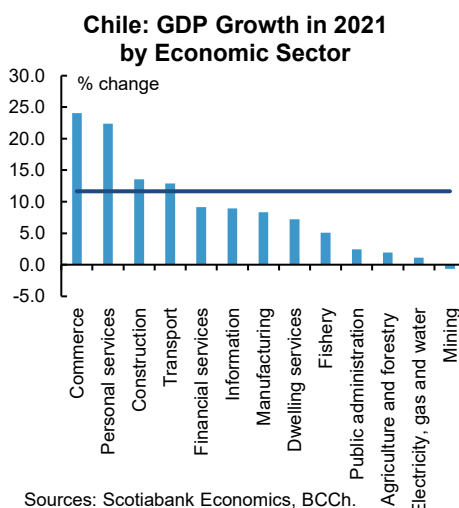
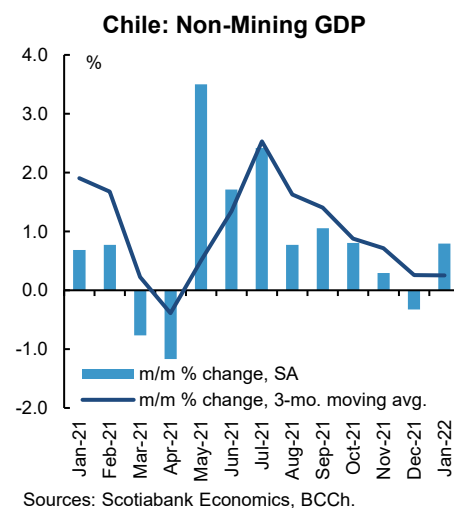


Chart 2



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