

Chile: Soft landing in progress

Pres. Boric's first week and the BCCh MPR



Jorge Selaive

Head Economist, Chile
+56.2.2619.5435 (Chile)

jorge.selaive@scotiabank.cl

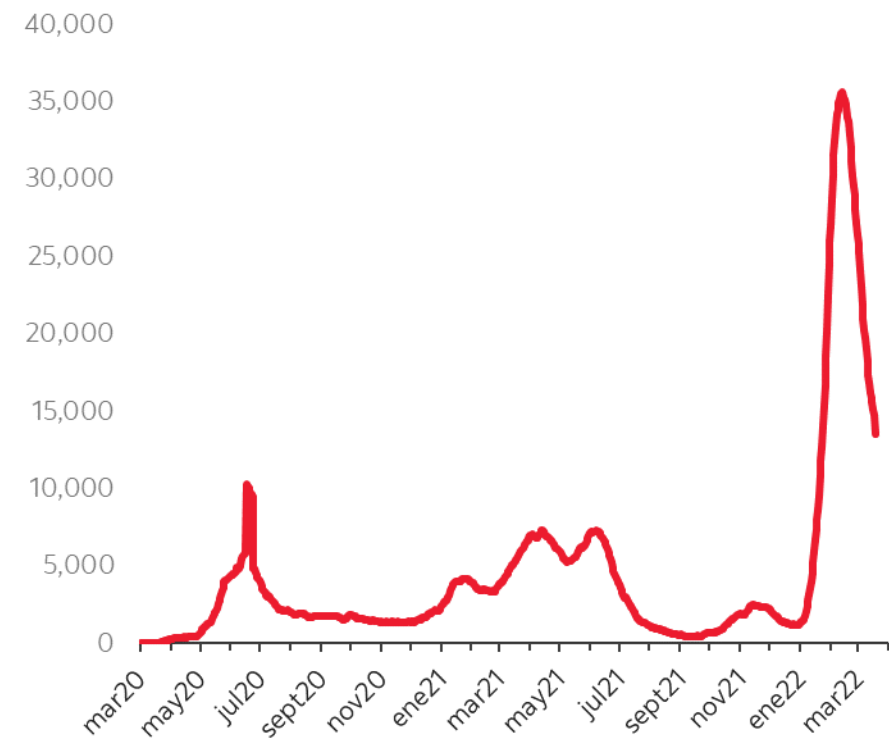
March 2022



Drop in new COVID 19 cases (Omicron) and ICU-bed occupancy, but still at high levels.

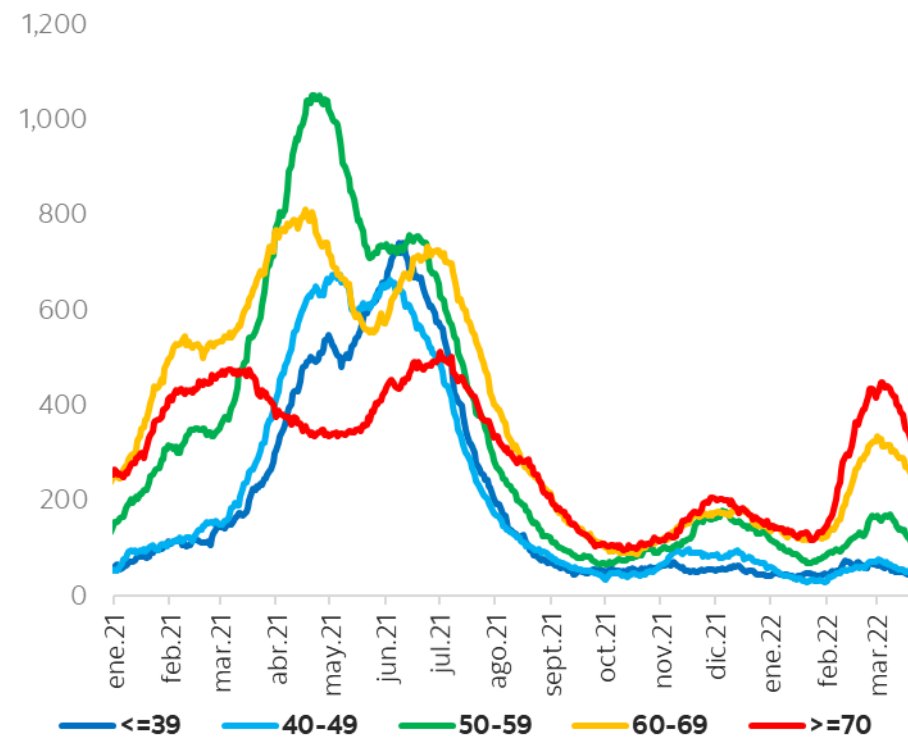
New cases COVID-19 in Chile

(number of new cases per day, 7-day mov. avg., up to March 18)



ICU-bed occupancy by age

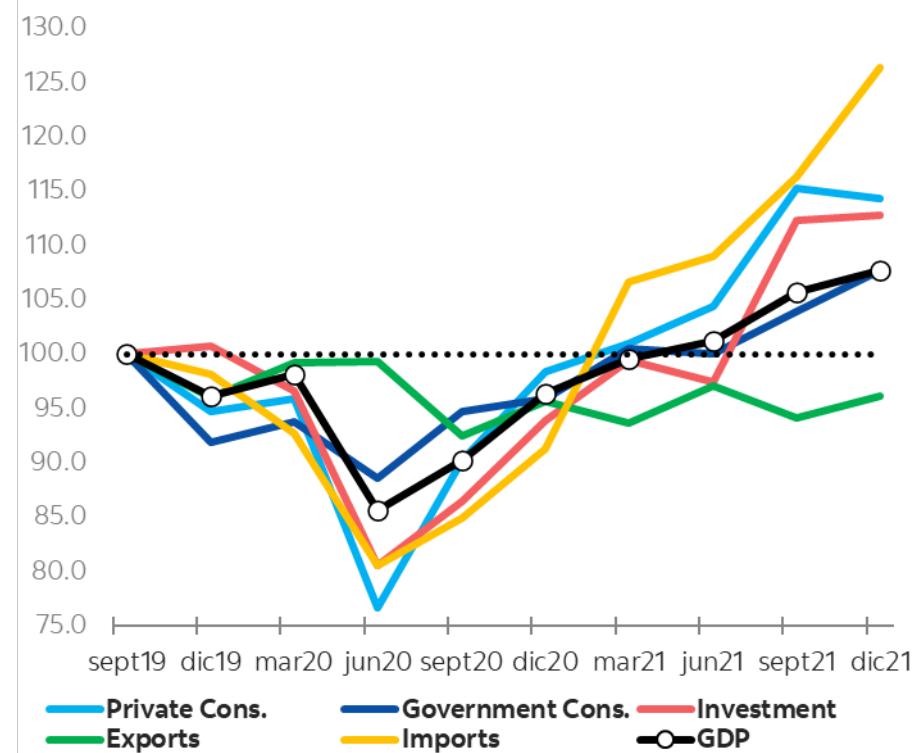
(beds by age group, up to March 20)



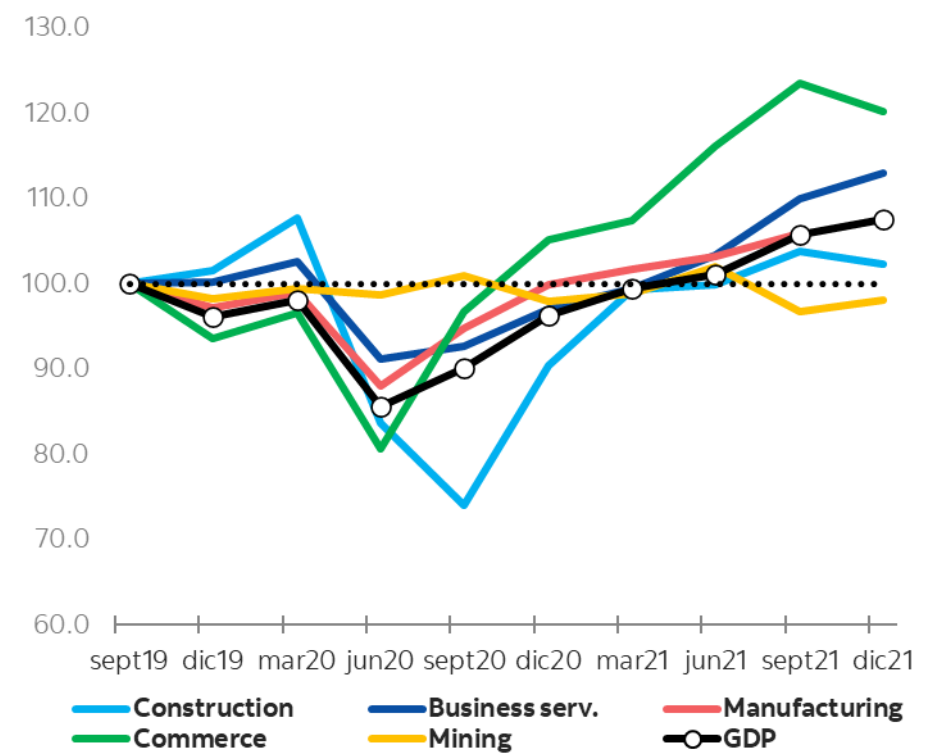
Sources: WHO; Ministerio de Salud, Scotiabank Economics.

GDP surpassed pre-Covid levels in 2021Q3 led by private consumption and investment. By sector, commerce is the most dynamic sector, followed at the margin by investment-related services and construction.

Level of GDP by expenditure
(index, Sep.2019=100, seasonally adjusted series)



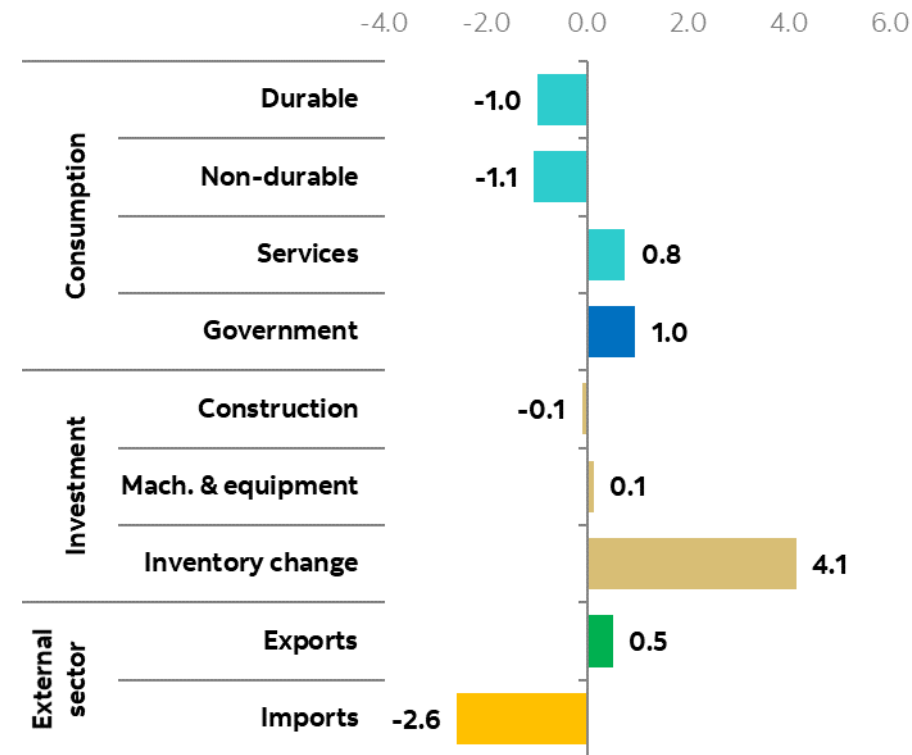
Level of GDP by sector
(index, Sep.2019=100, seasonally adjusted series)



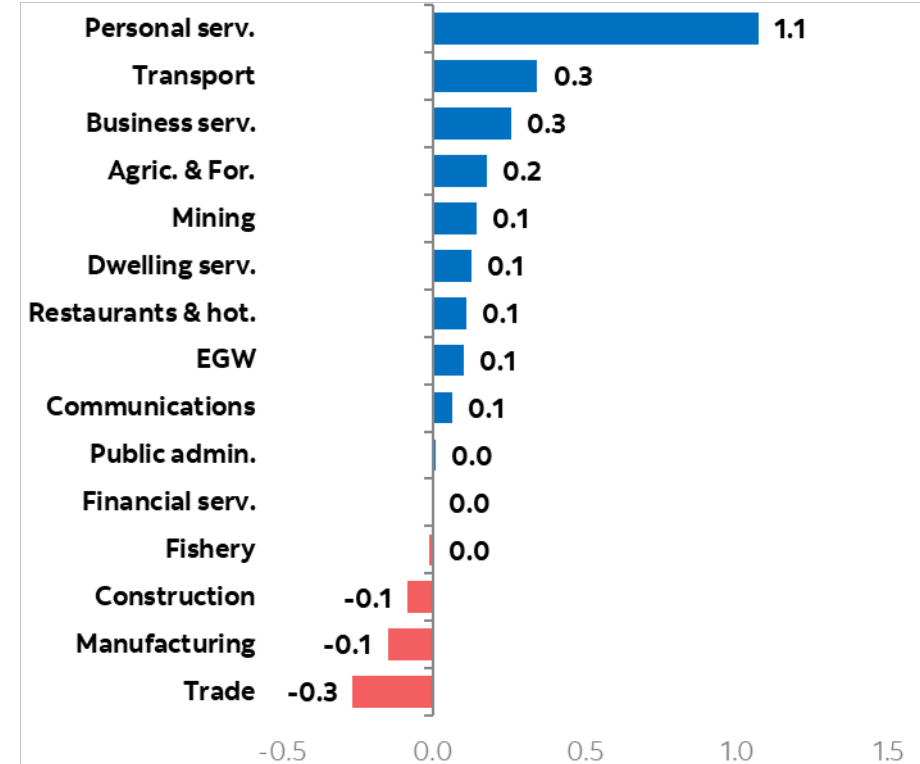
Sources: Central Bank, Scotiabank Economics.

Recovery of GDP in Q4 led by consumption of services, the expansive effect of fiscal policy, and rebuilding of inventories. Service sectors supported GDP in the last quarter.

Contribution to QoQ GDP growth in Q4 2021
(percentage points, contribution to 2021 Q4 GDP growth, SA)



Contribution to QoQ GDP growth in Q4 2021
(percentage points, contribution to 2021 Q4 GDP growth, SA)

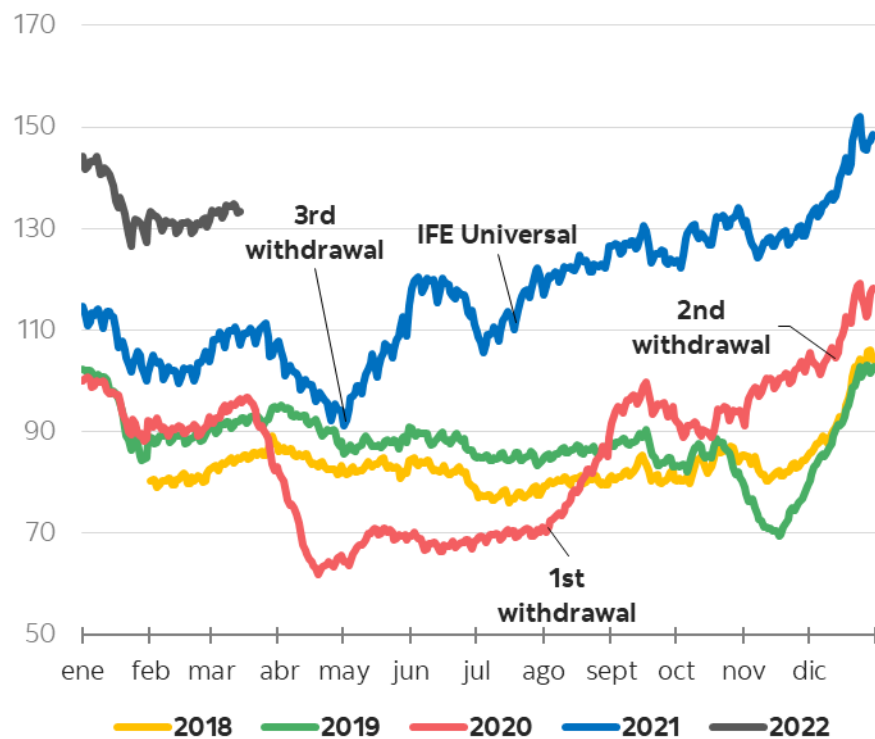


Sources: Central Bank, Scotiabank Economics.

Pres. Boric ruled out new withdrawals from pension funds. **There is still USD 16 bn in checking and debit accounts that will support a smooth deceleration of private consumption.** On top of this, the Universal Pension will add USD 1.5 bn to high-propensity-to-consume households in 2022.

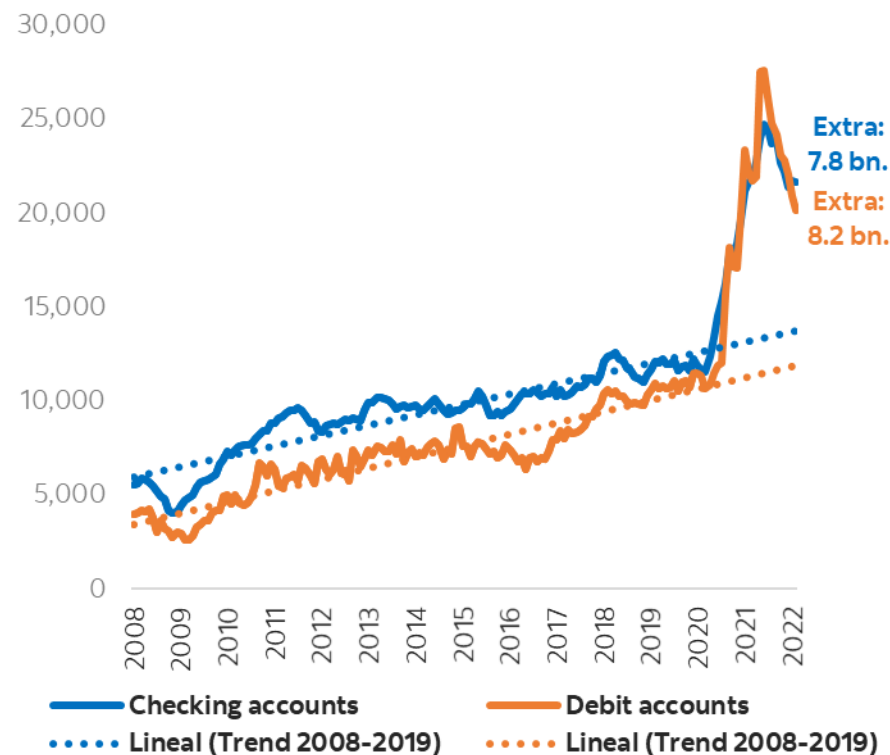
Level of purchases (credit & debit cards)*

(level, index 1-Jan-2020=100, 30-day moving sum, up to Mar. 14)



Liquidity in non-remunerated accounts

(millions of USD, natural persons, as of Feb. 2022)

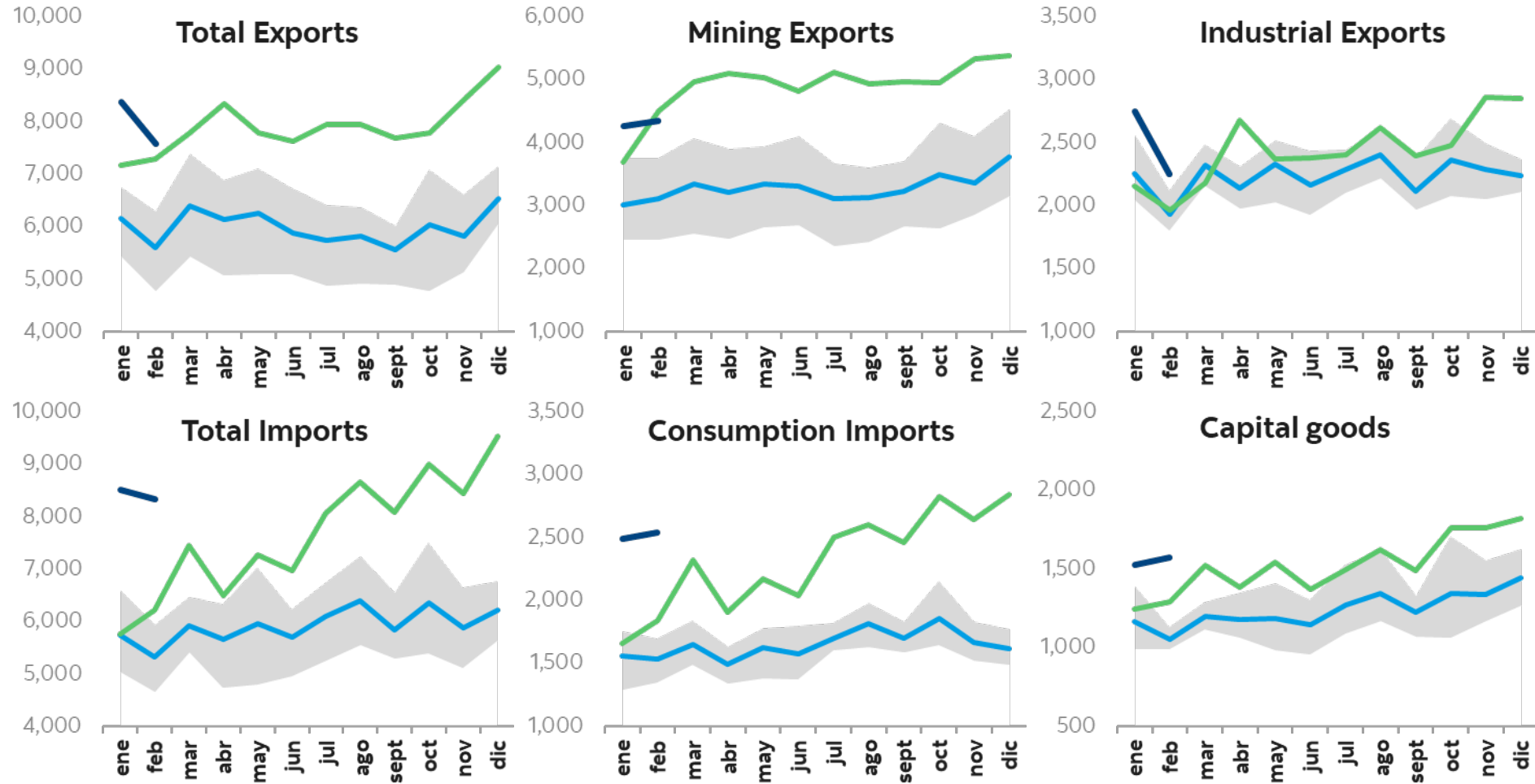


* Data show purchases with Transbank's credit and debit cards. The level of purchases is shown as an inflation-adjusted index (1-Jan-2020=100). Source: Scotiabank Economics.

Strong exports. Inventory replenishment continues and capital goods imports remain very solid.

Monthly Flows of Exports and Imports

(level, USD millions per month)



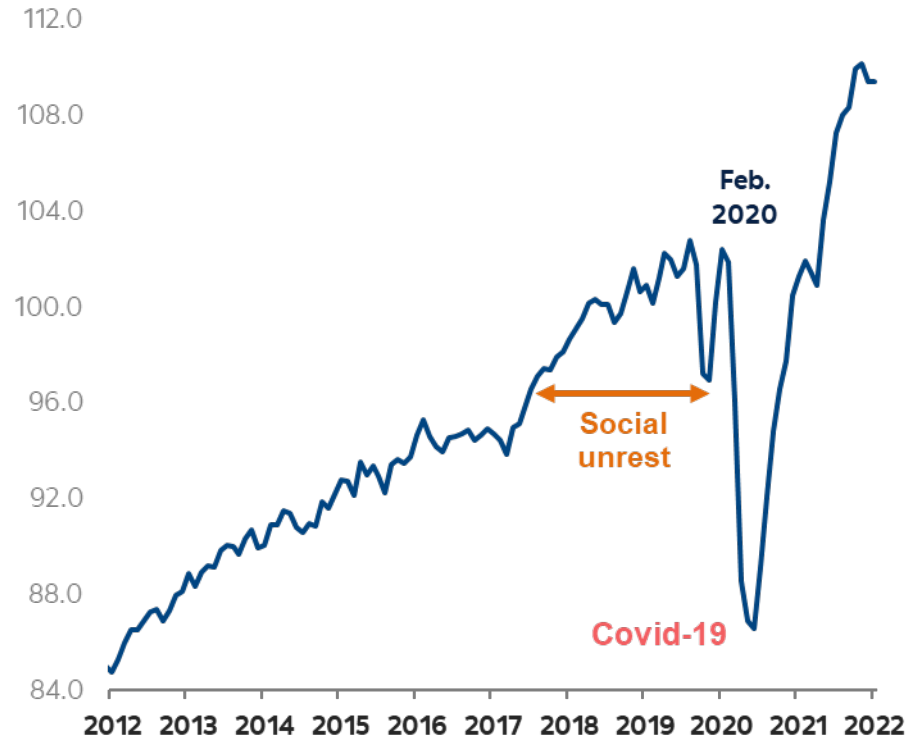
P90 and P10 represent the 90th and 10th percentile.
Sources: Central Bank, Scotiabank Economics.

■ P90 - P10 ■ Avg. 2011-2019 ■ 2021 ■ 2022

GDP expanded 11.7% y/y in 2021. We forecast GDP growth around 3% y/y in 2022 and 0% y/y in 2023. We estimate Imacec expanded 8 to 9% y/y in February.

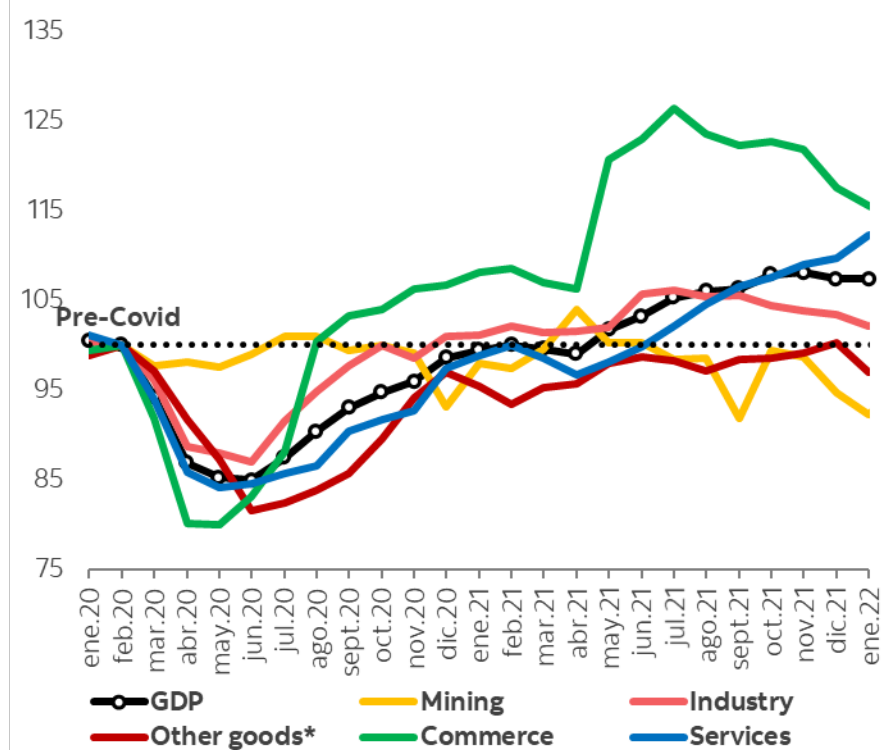
GDP level

(level, 2013=100, seasonally adjusted, monthly data)



GDP level by sector

(index, February 2020=100, monthly data)



**Short run estimates:
growth of monthly GDP**

December-21

January-22

February-22(e)

Imacec (% y/y)

8.8%

9.6%

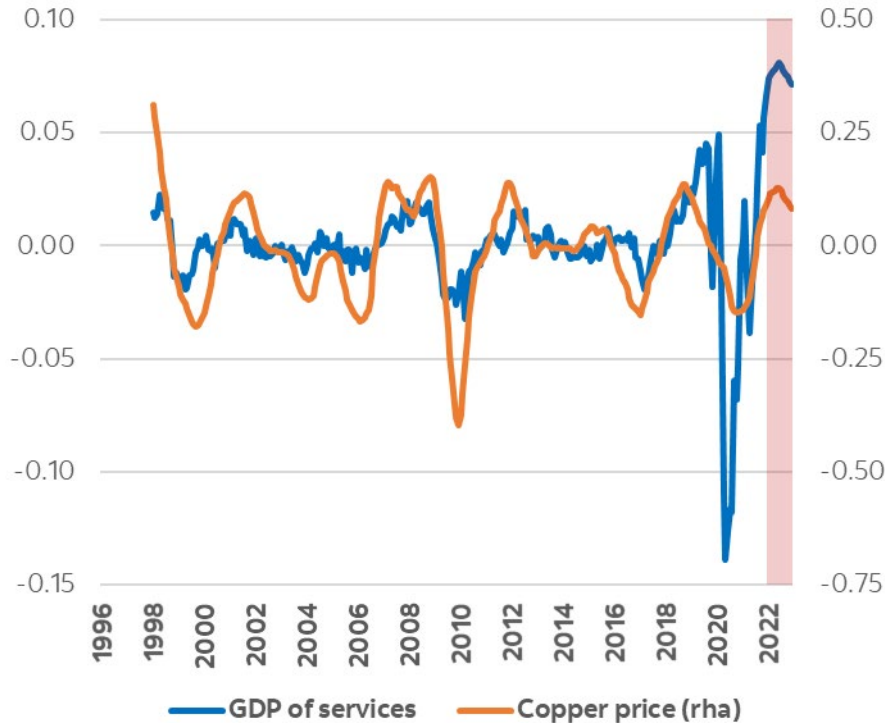
8 to 9%

Sources: Central Bank, Scotiabank Economics.

High copper prices will give support to services. Representing 47% of the total, services will contribute around 1.4 ppts to GDP growth in 2022.

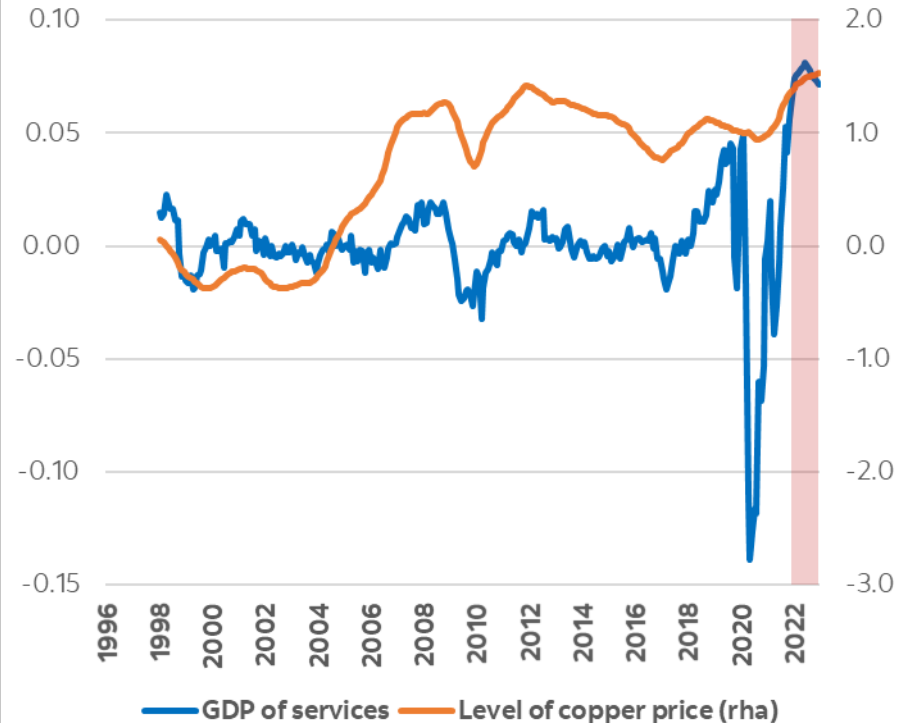
Cyclical component: GDP from services & copper prices*

(% diff. wrt to HP trend, cyclic component)



Level of copper price & GDP of services

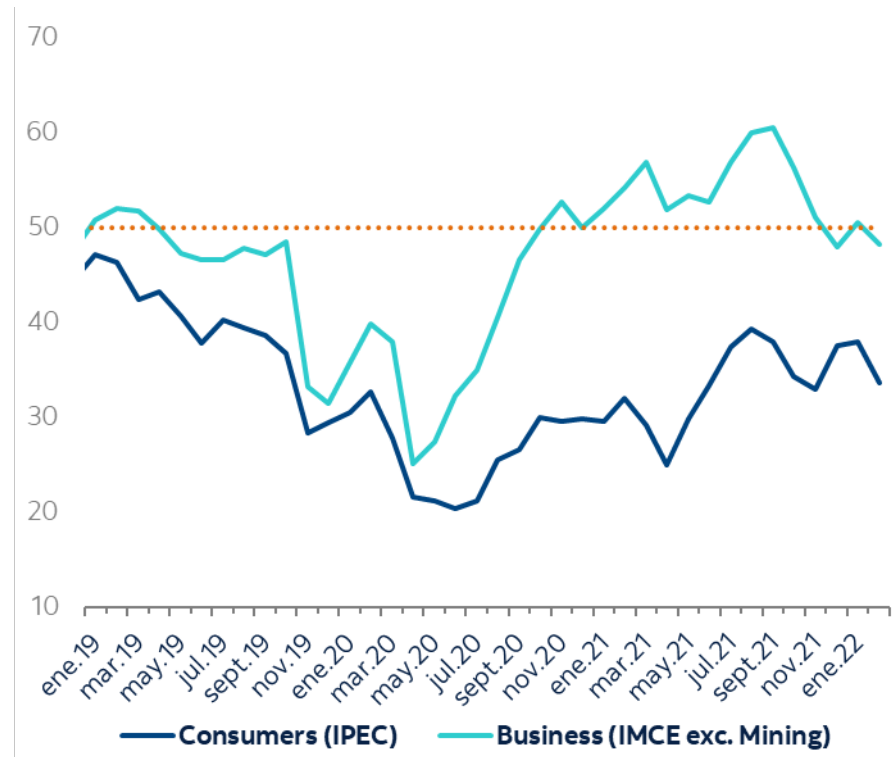
(log of copper price, and % diff. wrt to HP trend for GDP of serv.)



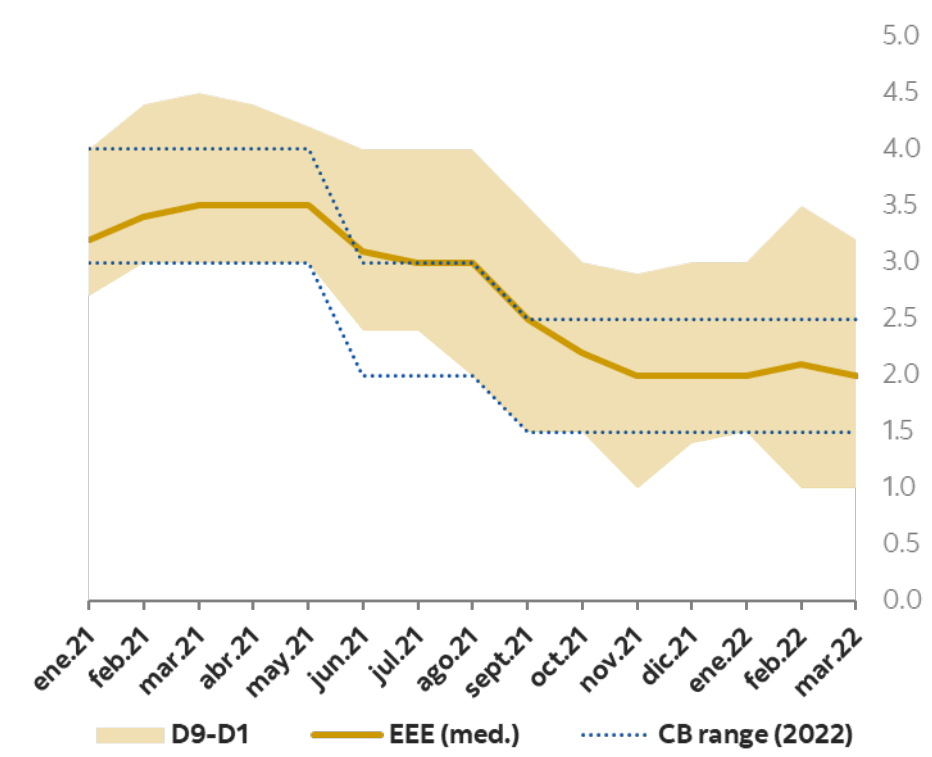
(*): Copper price lagged in 3 months (12 month moving avg.).
Sources Central Bank, Scotiabank Economics.

Stabilization in confidence and economic expectations post-elections. Consensus and the central bank anticipate a GDP expansion around 2.0% y/y for 2022.

Business confidence: optimistic levels
(level, 50=neutral)



GDP expectations for 2022
(%, y/y, EES*)

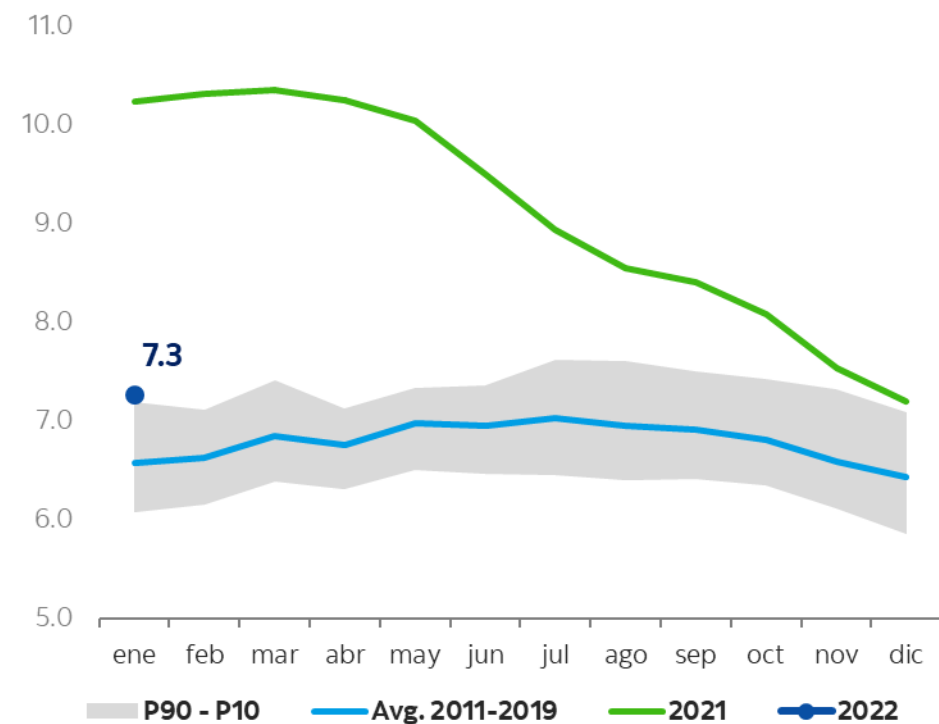


* EES: Economic Expectations Survey (EEE in Spanish).
Sources: Central Bank, Scotiabank Economics.

Unemployment rate increased to 7.3% in January due to higher growth in the work force (0.5% y/y) compared to employment (0.4% y/y). **The employment gap compared to the pre-pandemic level fell to 350k, of which 160k corresponds to formal jobs and 190k to informal jobs.**

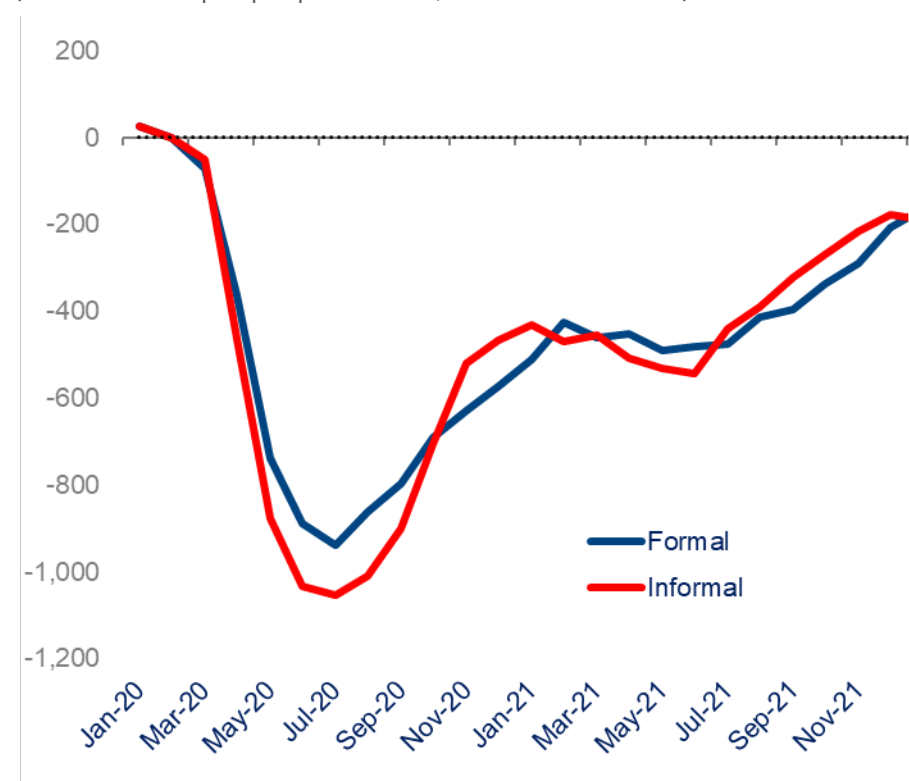
Unemployment rate

(percentage)



Gap of employment

(thousands of people per month, diff. wrt Feb.2020)

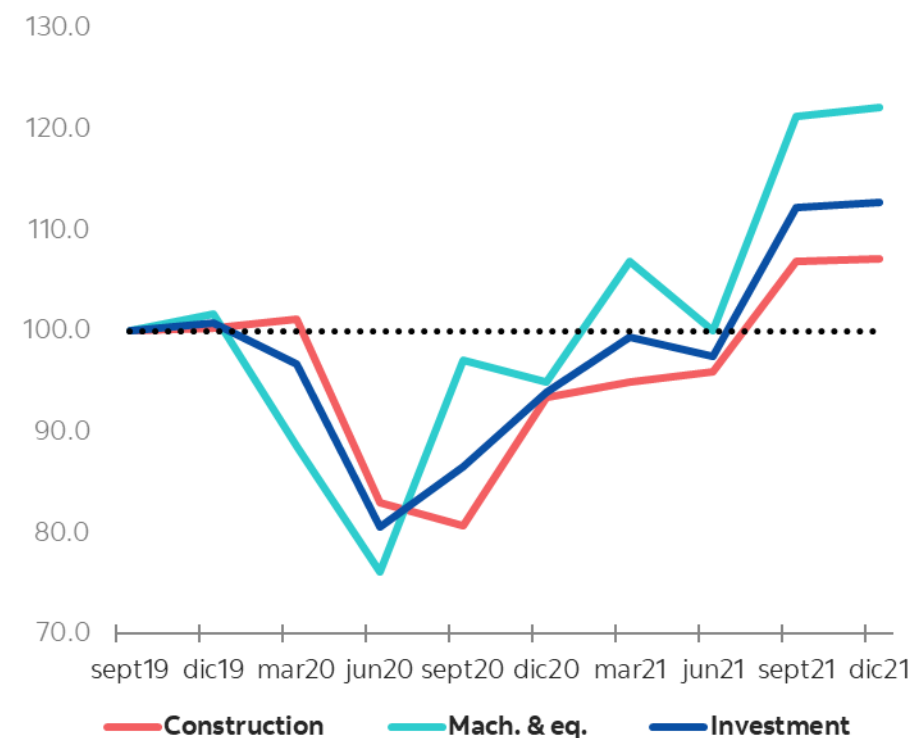


Sources: National Bureau of Statistics (INE), Scotiabank Economics.

Investment components recovered pre-Covid levels. Rapid recovery of the M&E component and normalization in Construction due to the opening of the economy. Inventory rebuilding supported investment growth in Q4 2021.

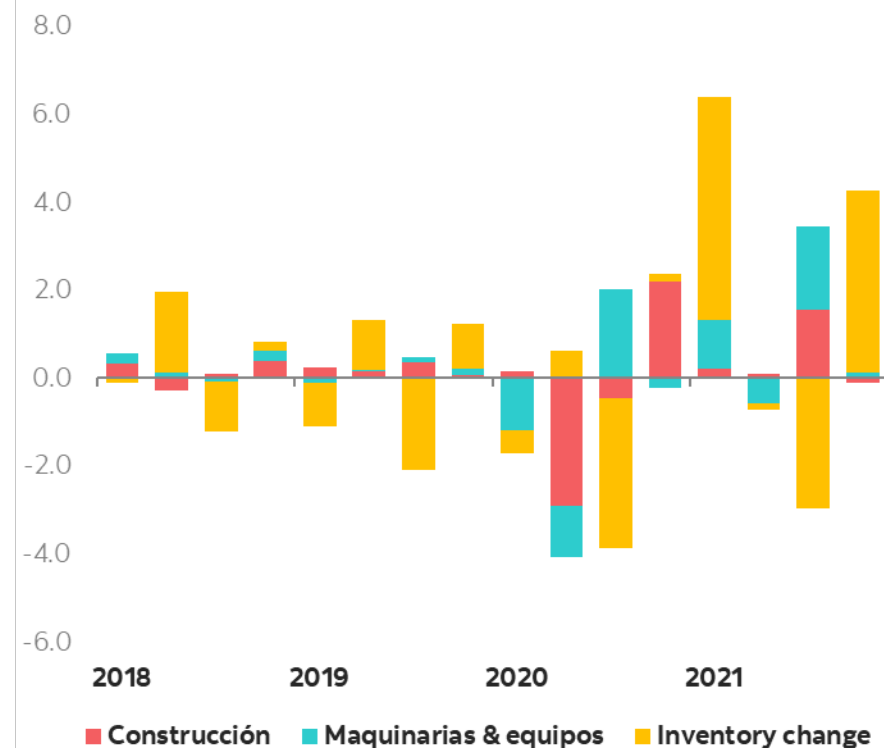
Level of Investment by components

(index, Sep.2019=100, seasonally adjusted series)



Contribution of Investment to QoQ GDP growth

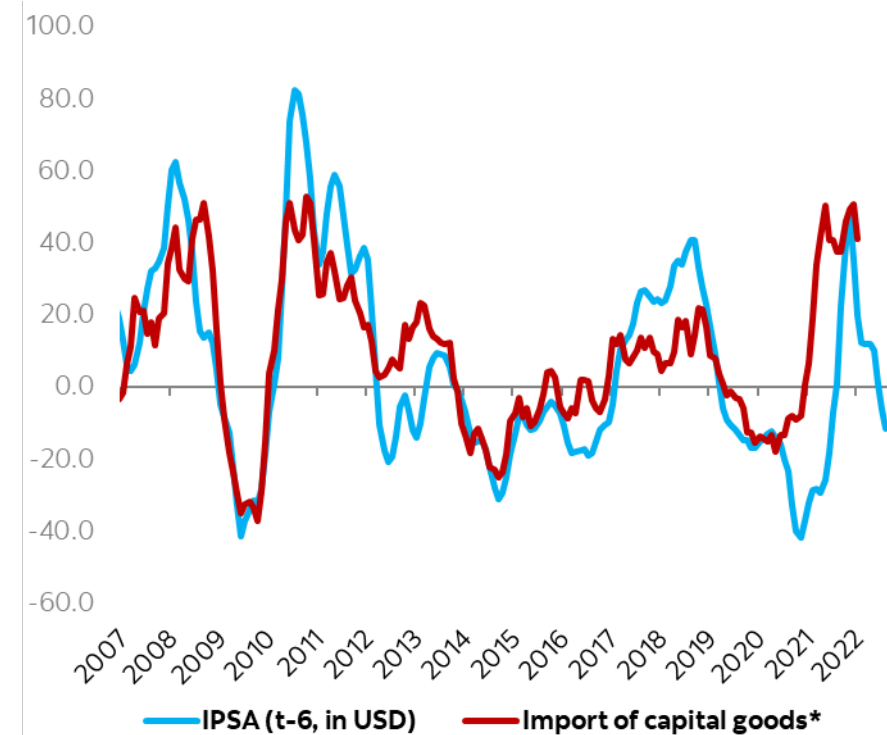
(percentage points, contribution to quarterly GDP growth SA)



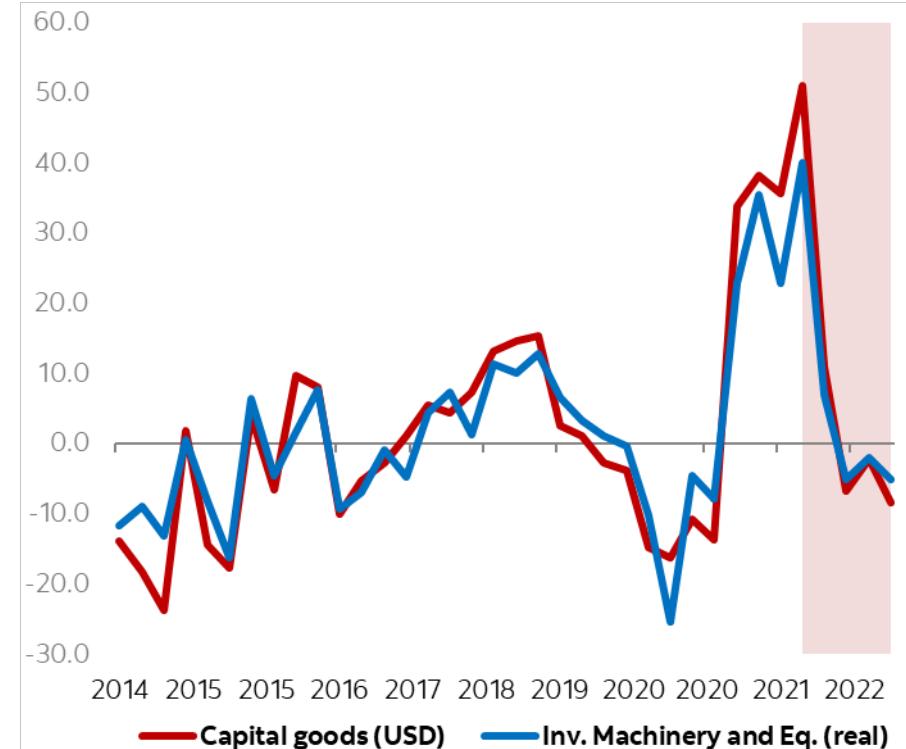
Source: Central Bank, Scotiabank Economics

As stocks signal, we expect a slowdown in the import of capital goods in coming quarters, and therefore in investment in machinery and equipment (M&E).

IPSA & capital good imports
(%, annual growth, moving quarter)



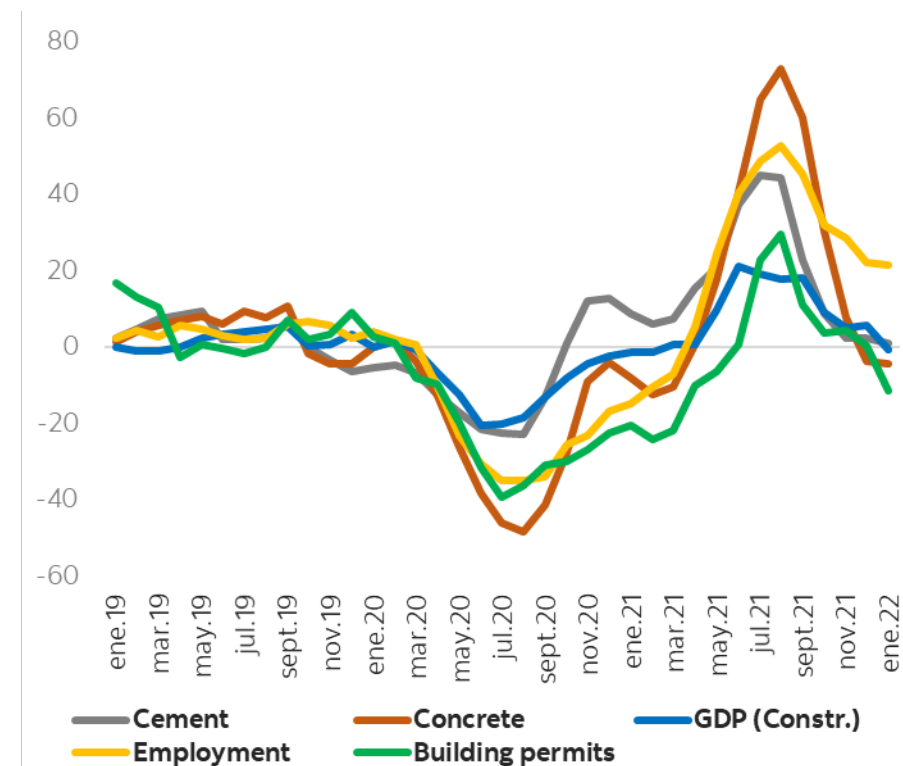
Investment in M&E and capital good imports
(%, annual growth)



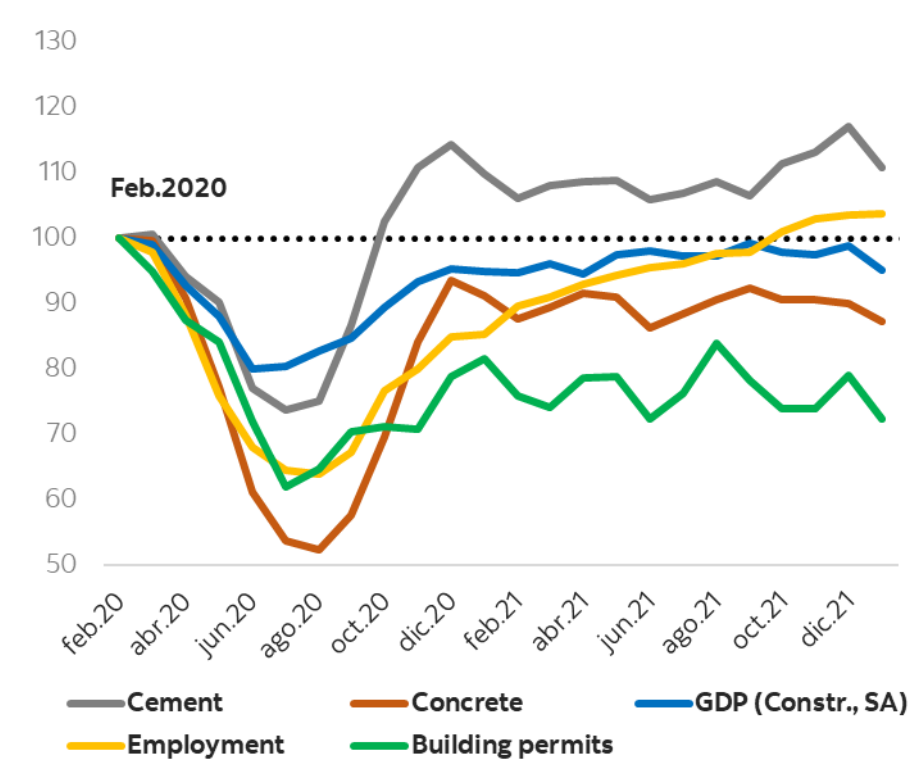
(*): Excludes item "Other transports vehicles".
Sources: Central Bank, Bloomberg, Scotiabank Economics.

Stabilization of construction activity indicators. Re-opening is favouring the recovery of construction.

Construction activity indicators (%, annual growth)



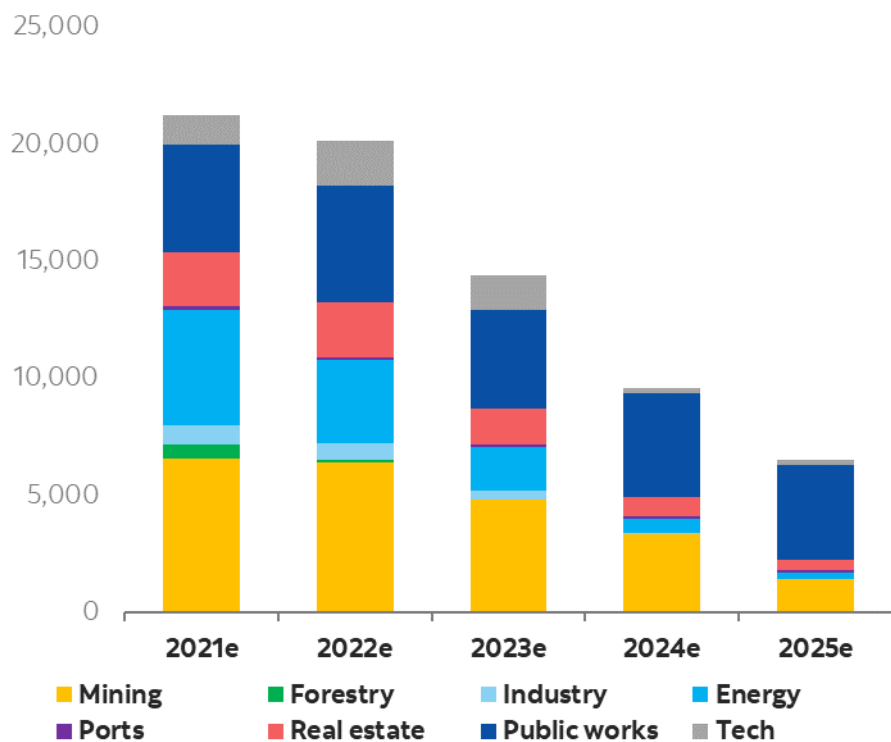
Construction activity indicators (index, Feb.2020=100)



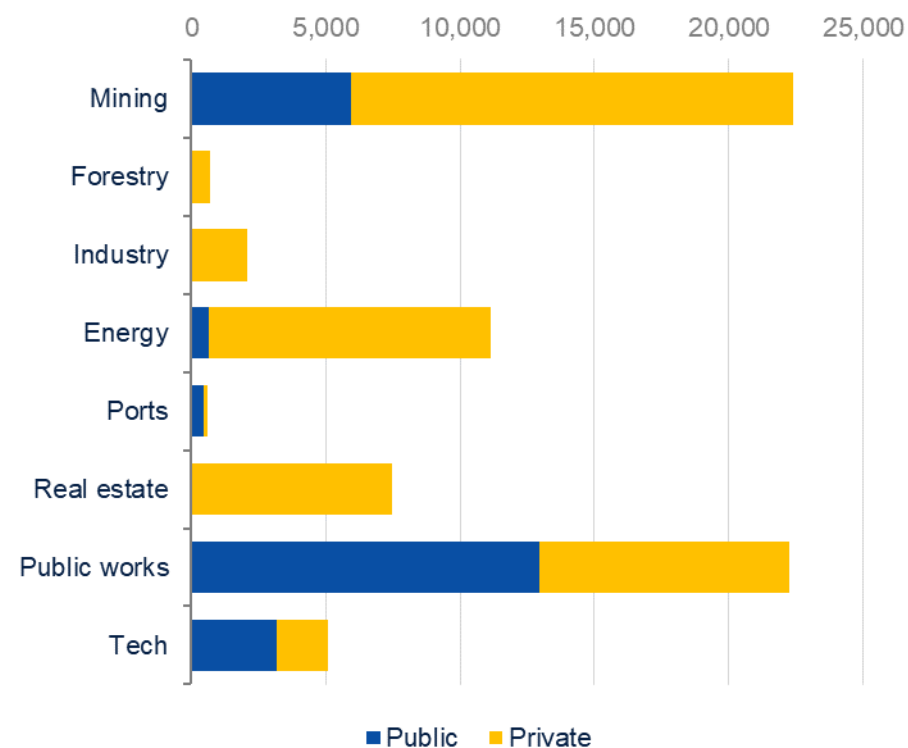
Sources: Central Bank, INE, CChC, Scotiabank Economics.

As of December 2021, investment projects in the pipeline for the period 2021-25 reached USD 71.7 bn. Investment was adjusted upward by USD 2 bn (2.8%) for 2021-25, mainly in Energy, Mining and Public works (18% public and 13% concessions).

Total investments to materialize by sector
(millions of dollars, projects in pipeline as of Dec-21)



Total investments to materialize by origin
(millions of dollars, projects in pipeline as of Dec-21)

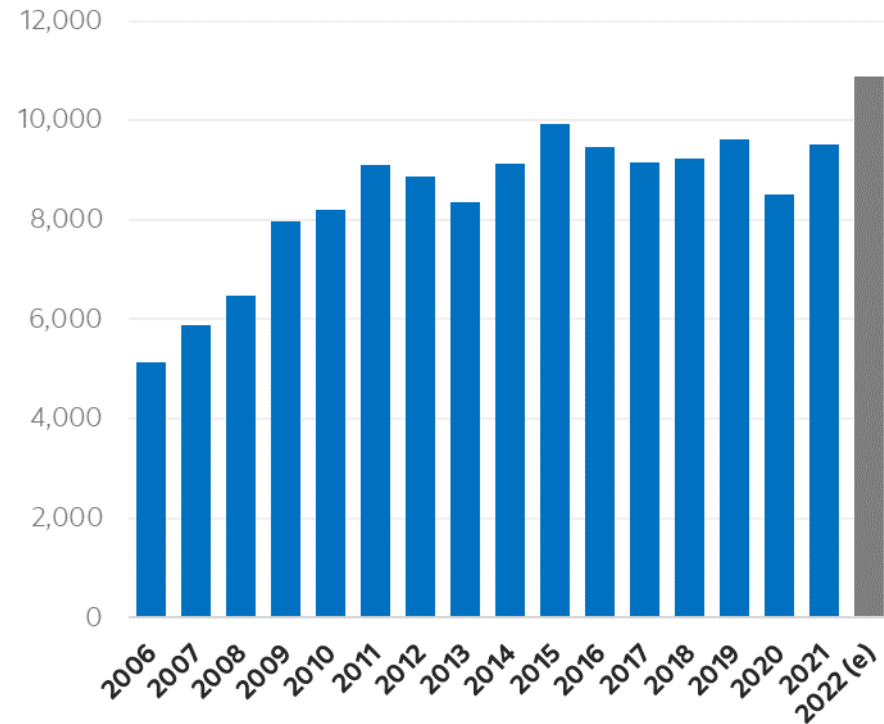


Sources: CBC, Scotiabank Economics.

Strong fiscal impulse in public investment in the coming years. Fiscal Budget for 2022 includes an increase of 14.3% in capital expenditures. **Projects in pipeline of public works reached USD 17.7 bn for period 2022-25 (public and concessions).**

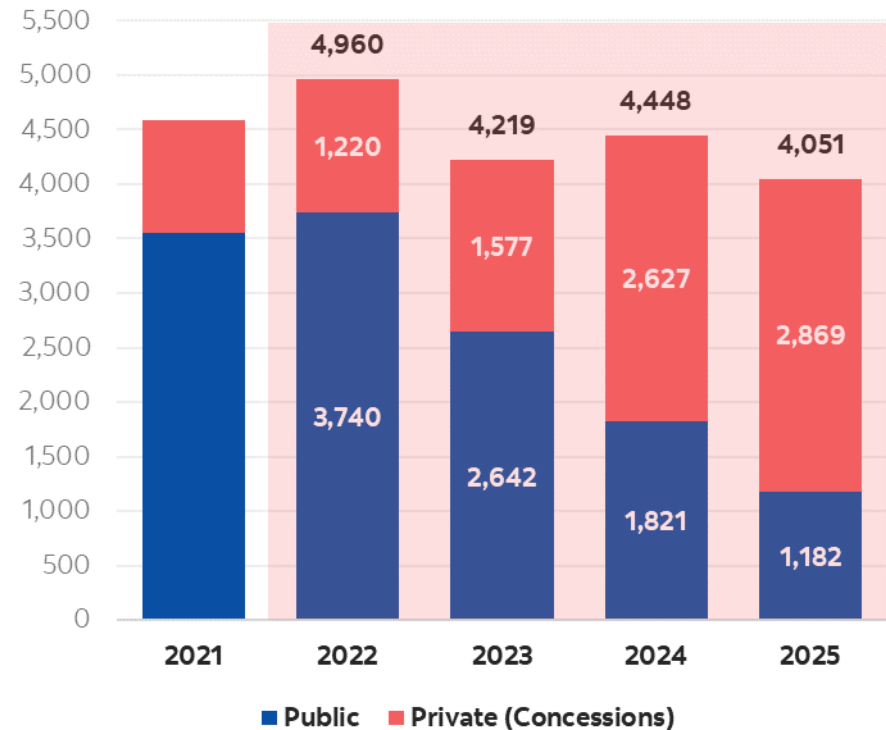
Public investment

(millions of dollars)



Investment to materialize in Public works

(millions of dollars, projects in pipeline as of Dec-21)

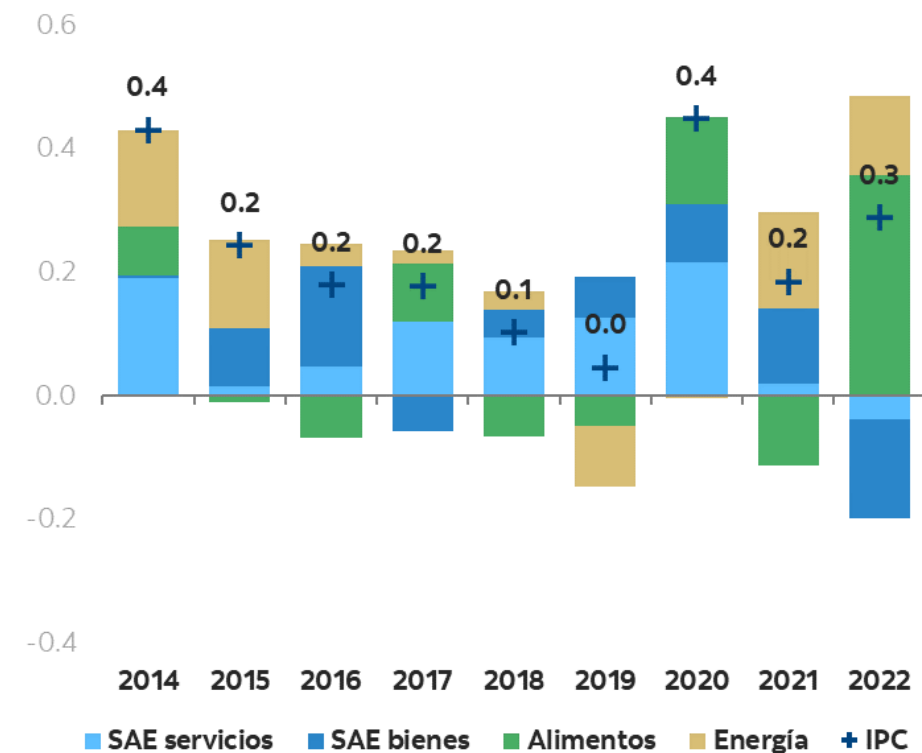


Sources: DIPRES, CBC, Scotiabank Economics.

February inflation (0.3% m/m; 7.8% y/y) gives a small break, but inflationary pressures remain.

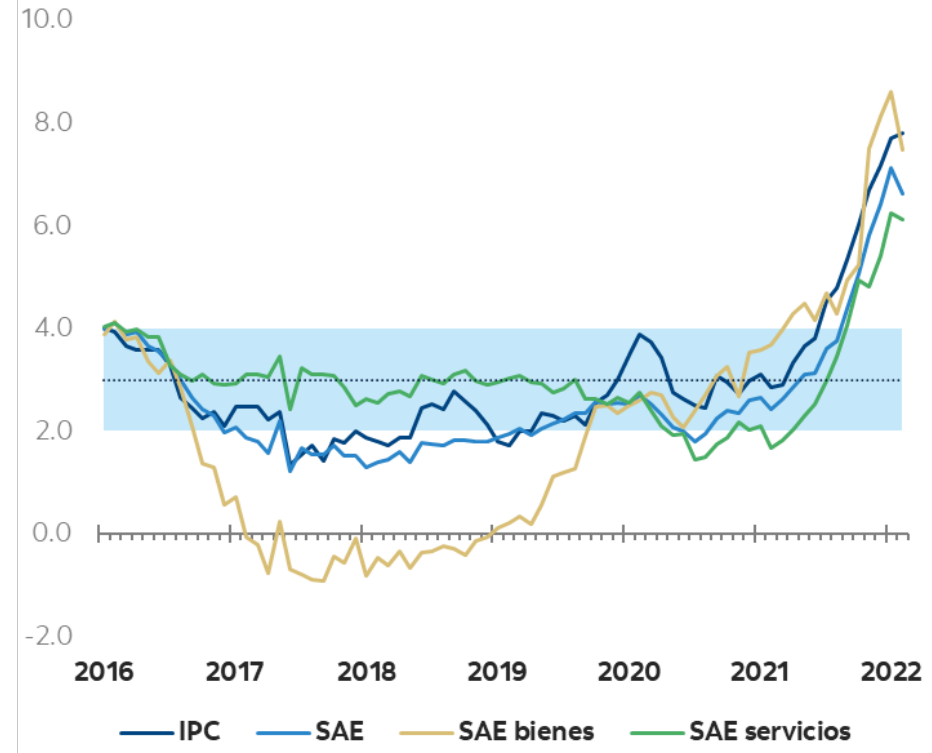
Contribution to monthly inflation in February*

(percentage points, monthly contribution)



Headline and core CPI inflation

(percentage, y/y)

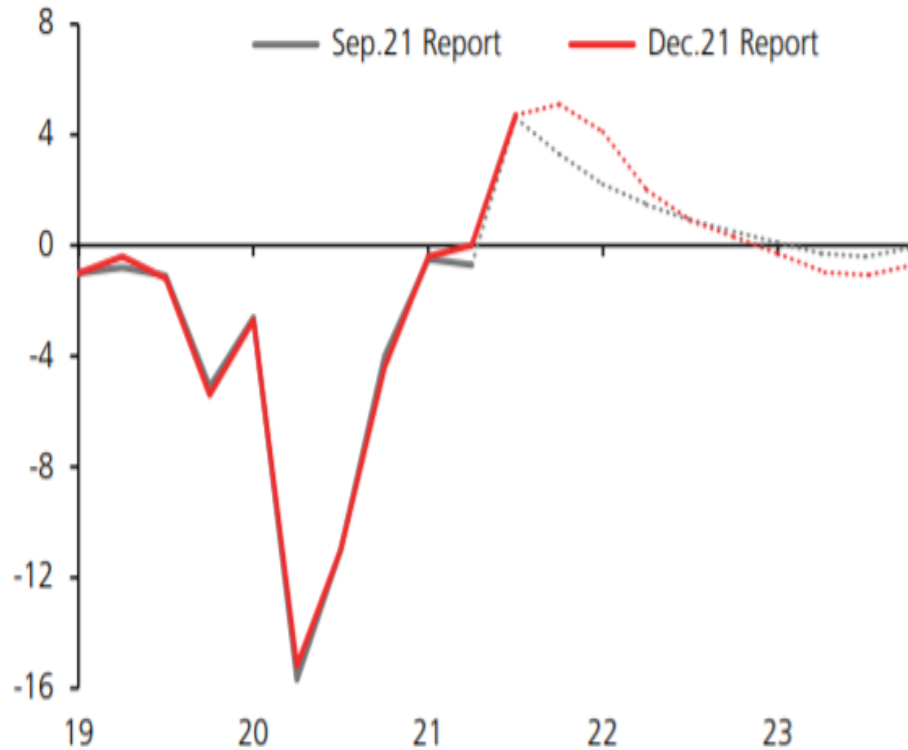


* Core CPI: excludes food and energy.
Sources: INE, Central Bank, Scotiabank Economics.

Inflationary pressures fuel the already worrying de-anchoring of inflation expectations. CB will increase the benchmark rate by 150 bps at March 29 meeting.

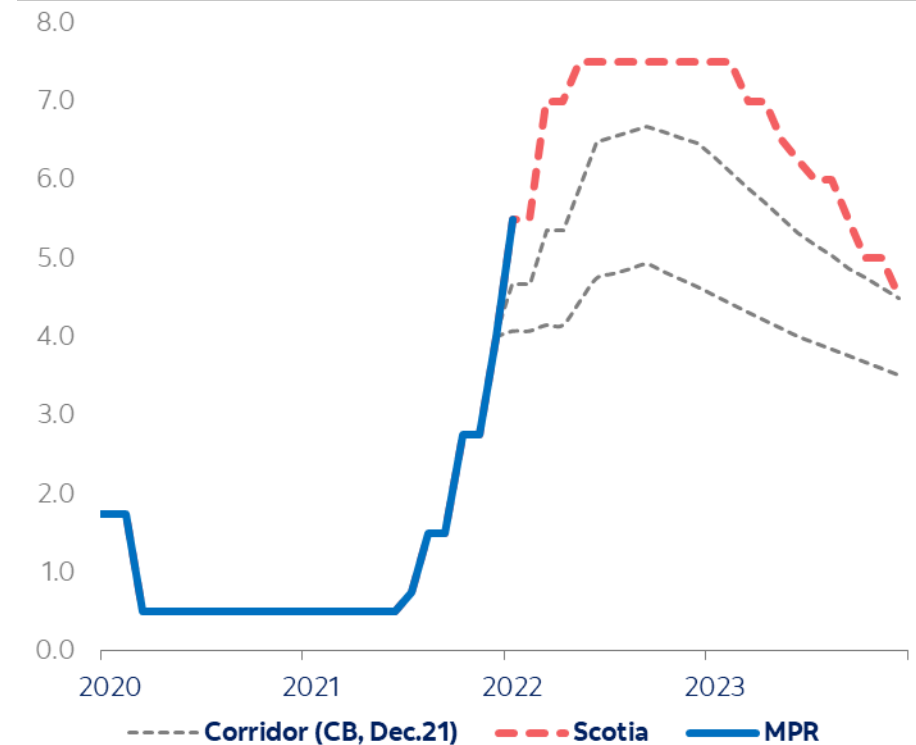
Output gap

(%, Central Bank estimation)



MPR expectations and CB corridor

(percentage, nominal)



Sources: Central Bank (CB), Scotiabank Economics.

Rise in short-term nominal interest rates and 10-year rates falling and down to negative arena for first time since 2008-09.

10-2 year yield spread

(ppts, nominal swap rates)



10-1 year yield spread

(ppts, nominal swap rates)

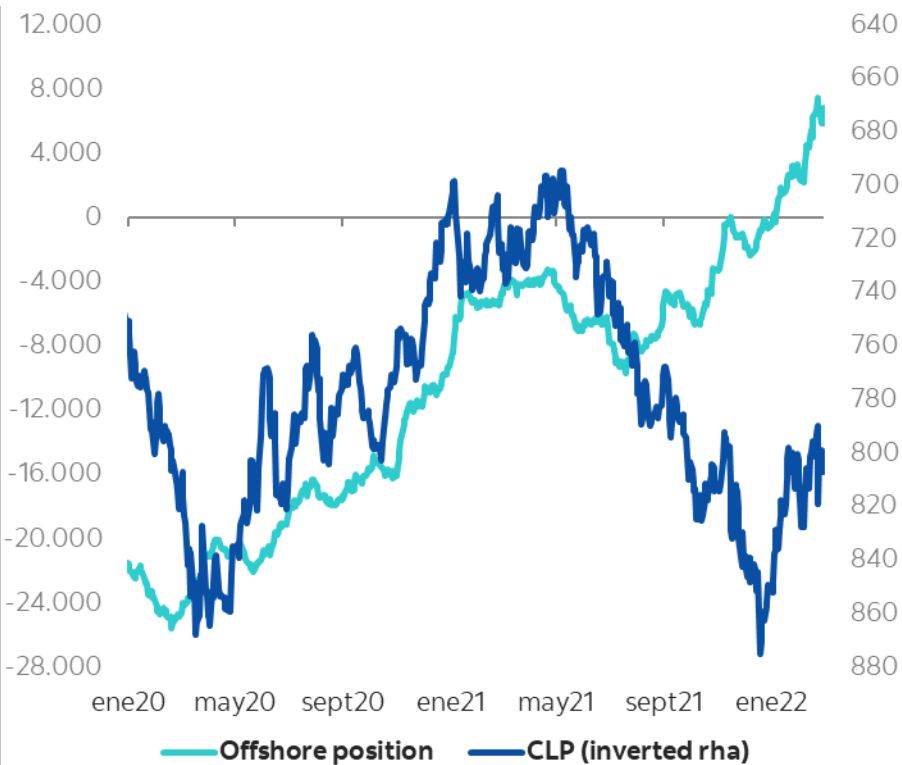


Sources: Bloomberg, Scotiabank Economics.

Despite the rise in interest rate differentials, the net offshore position continued rising in favour of the CLP, reaching positive levels for first time since 2010. **Any improvements in political perceptions should trigger further CLP appreciation.**

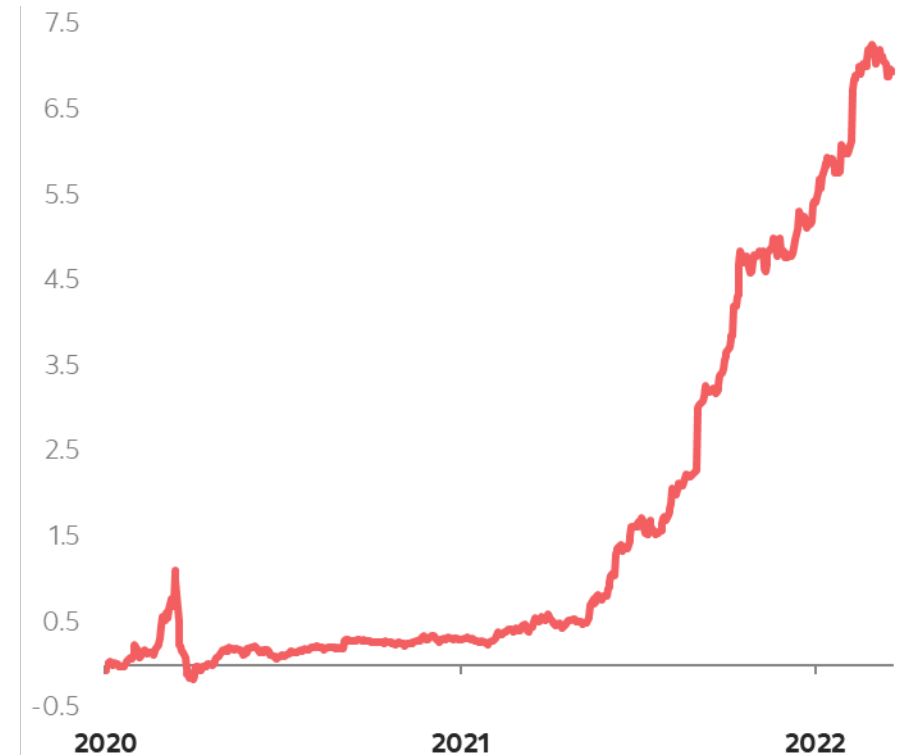
Net offshore position CLP/USD*

(millions of dollars, \$ per US dollar)



Swap spread 1Y: Chile vs USA

(%, 1Y interest rates Chile-USA)

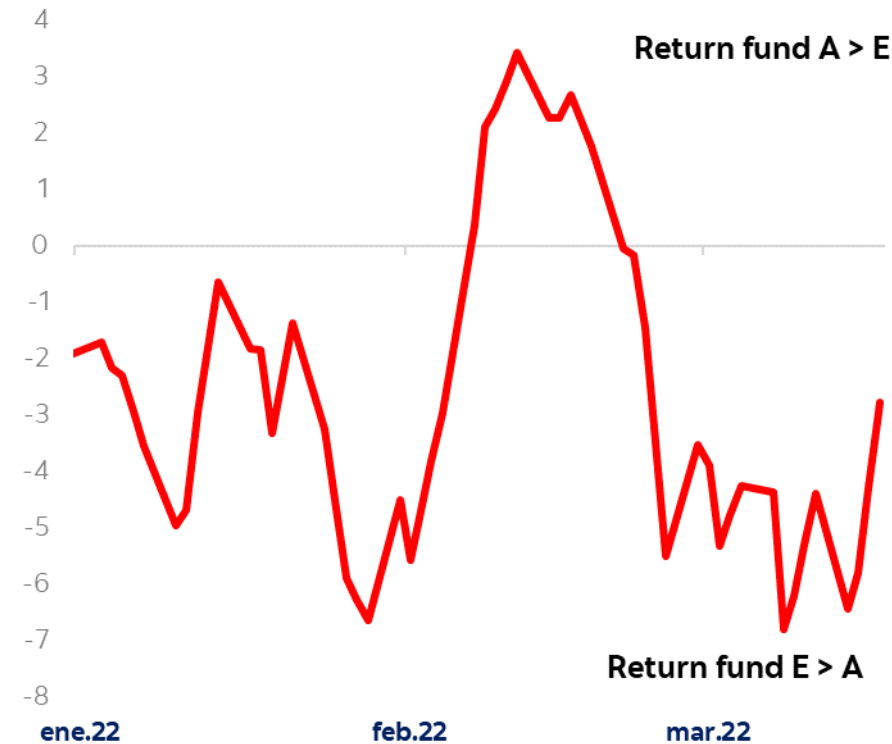


* Net NDF position (Non-deliverable forward) of local banks with non-residents.
Sources: Bloomberg, Central Bank, Scotiabank Economics.

The relatively poor performance of risky funds (A & B) in recent months increased the incentives for contributors to shift their asset allocations in favour of fund E (which has a high share of peso-denominated fixed-income securities)

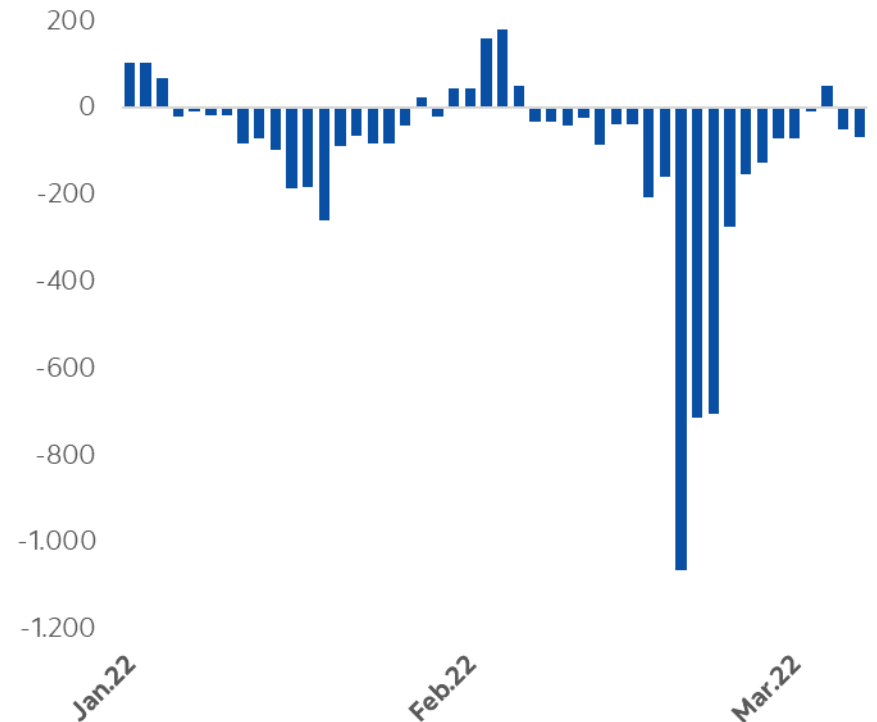
Relative return: Fund A vs Fund E

(%, return of fund A minus E, 10-day accum.)



Contributors' flow to Fund A+B*

(millions of dollars, daily flow of contributors to fund A+B)

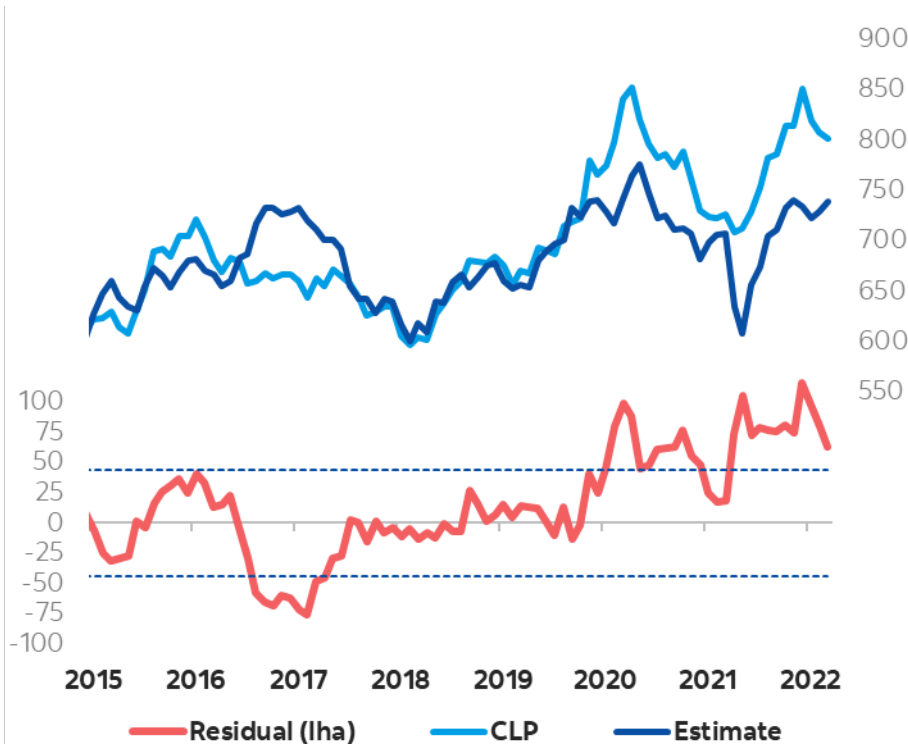


* **Relative return:** weekly return of fund A minus fund E. **Contributors' flow:** flow to fund A+B (in millions of US\$).
Sources: Bloomberg, Scotiabank Economics.

Our baseline model implies a large misalignment of the CLP compared with its classic fundamentals. **However, when we include economic policy uncertainty in our model, the misalignment disappears.**

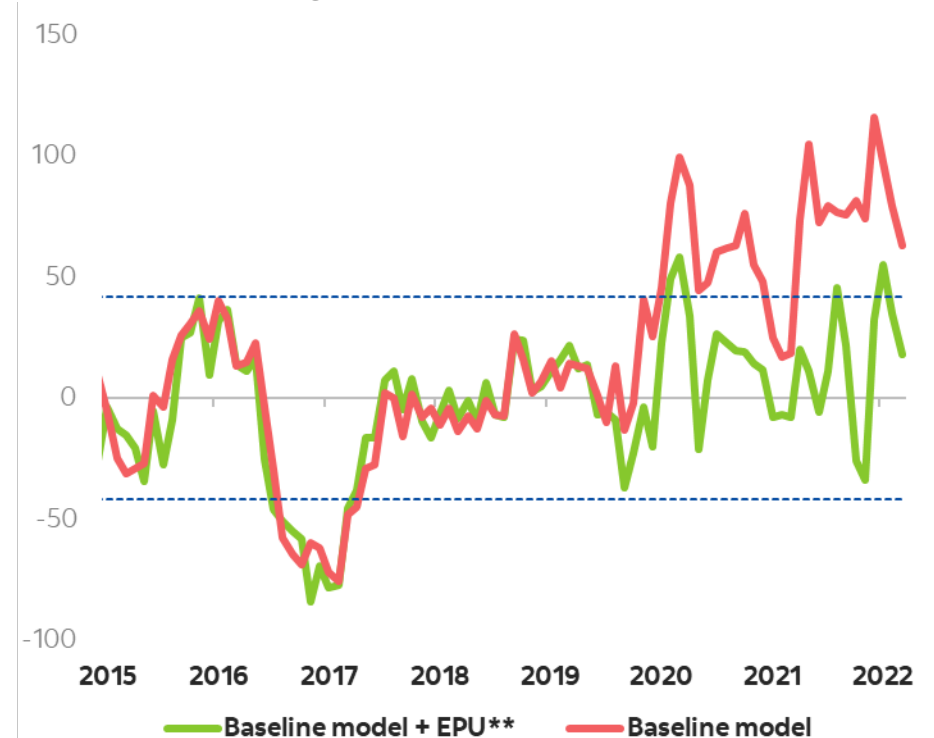
CLP misalignment: baseline model*

(\$ per US dollar)



CLP misalignment disappears after controlling for economic policy uncertainty (EPU**)

(\$ per US dollar, misalignment comparison between models)



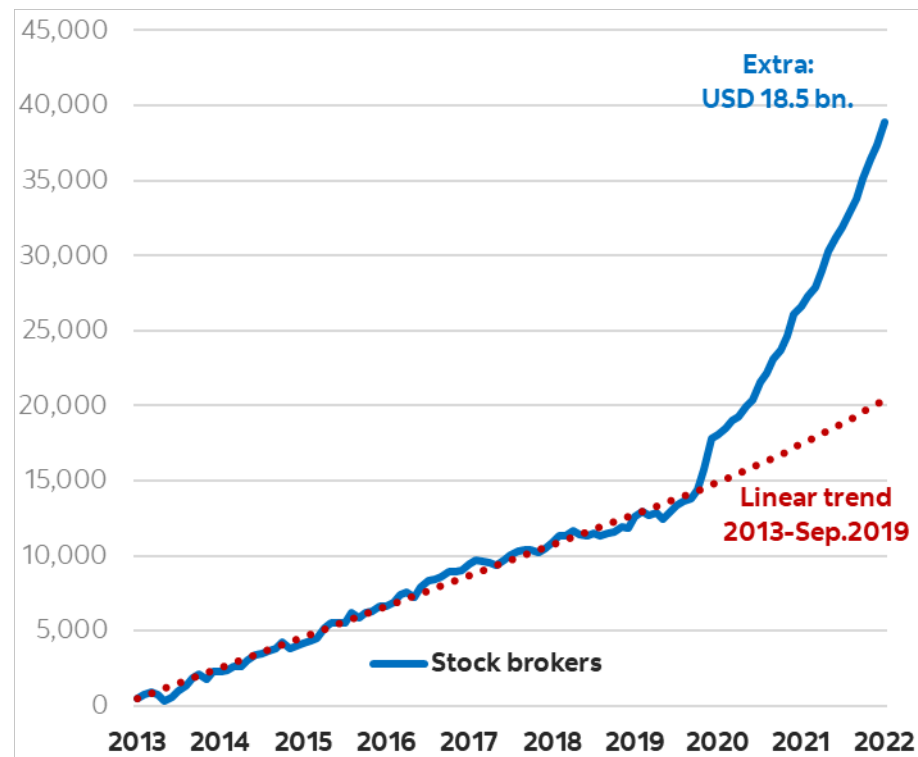
* Based on a short-term fundamentals model, including copper price, broad dollar (DXY), swap spread (Chile-USA), and expectations (IMCE exc. mining), among others.

** The EPU index is a measure of total economic policy uncertainty in two Chilean Newspapers. Data available at http://www.policyuncertainty.com/chile_monthly.html (Rodrigo Cerda, Álvaro Silva and José Tomás Valente). Also available at Clapes UC (<https://www.clapesuc.cl/indicadores/indice-de-incertidumbre-economica-iiec>).

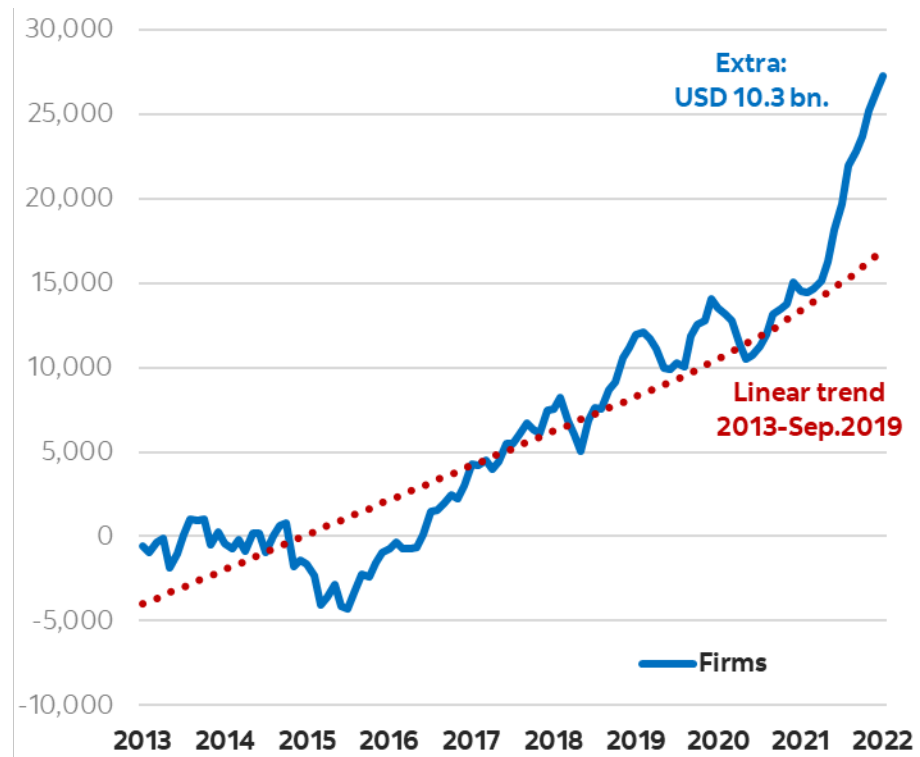
Source: Scotiabank Economics.

Stock brokers and firms have been increasing their purchases above the trend from before the social unrest.

Net purchases of foreign currency: stockbrokers
(millions of USD, accum. since 2013, as of Jan. 22)



Net purchases of foreign currency: firms
(millions of USD, accum. since 2013, as of Jan.22)



Note: Net purchases of foreign currency (purchases – sales).
Sources: Central Bank, Scotiabank Economics.

More balanced composition of political forces in Congress from March 2022.

Congressional seat composition

(number of seats)

Congress	Right-wing	Left-wing	Center	Total
New Senate	25	25	-	50
Old Senate	19	24	-	43
New Lower House	68	81	6	155
Old Lower House	72	83	-	155

Gabriel Boric's economic agenda: tax reform will collect around 4% of GDP.

Collection: 4% of GDP in 4 years

Sources of collection

1.2% of GDP from tax evasion and avoidance

1.0% of GDP from super rich tax

0.8% of GDP from exemptions

0.5% of GDP from royalty

0.3% of GDP from green taxes

0.2% of GDP from income tax

Legislative agenda of the Ministry of Finance

April: bill to increase the minimum wage

June: Tax reform proposal

Q4-22: Pension reform

Sources: Presidential program of G. Boric, Scotiabank Economics.

Economic Outlook

Forecast	2018	2019	2020	2021	2022	2023
GDP (% yoy)	4.0	0.8	-6.0	11.7	3.0	0
Inflation (% yoy, eop)	2.1	3.0	3.0	7.2	6.6	3.5
Exchange rate (vs USD, eop)	695	753	711	850	780	750
Monetary policy rate (% , eop)	2.75	1.75	0.5	4.0	7.5	4.5
Copper price (US\$/lb, eop)	2.7	2.8	3.5	4.5	4.5	4.0
Total consumption (% yoy)	3.6	0.7	-7.2	18.2	1.5	0.5
Investment (% yoy)	6.5	4.7	-9.3	17,6	2.5	-1.0
Fiscal balance (% GDP)	-1.7	-2.8	-7.4	-7.6	-0.5	-2.0
Current account (% GDP)	-4.6	-5.2	-1.7	-6.6	-3.5	-1.5

Source: Scotiabank Economics.

Composición de la Convención Constitucional



Vamos Por Chile	Apruebo	Apruebo Dignidad	Nueva Constitución	Del Pueblo	Otros
1.2 M votos	824.8 K votos	1.1 M votos	449.3 K votos	941.4 K votos	1.2 M votos
37 5 EVOP 15 RN 17 UDI	25 2 PDC 3 PL 3 PPD 1 PR 1 PRO 15 PS	28 1 COMU 6 CONV 4 FREVS 1 IGUAL 7 PC 9 RD	11 11 IND	27 27 IND	27 27 IND

Quórum:

2/3 = 103 votos.

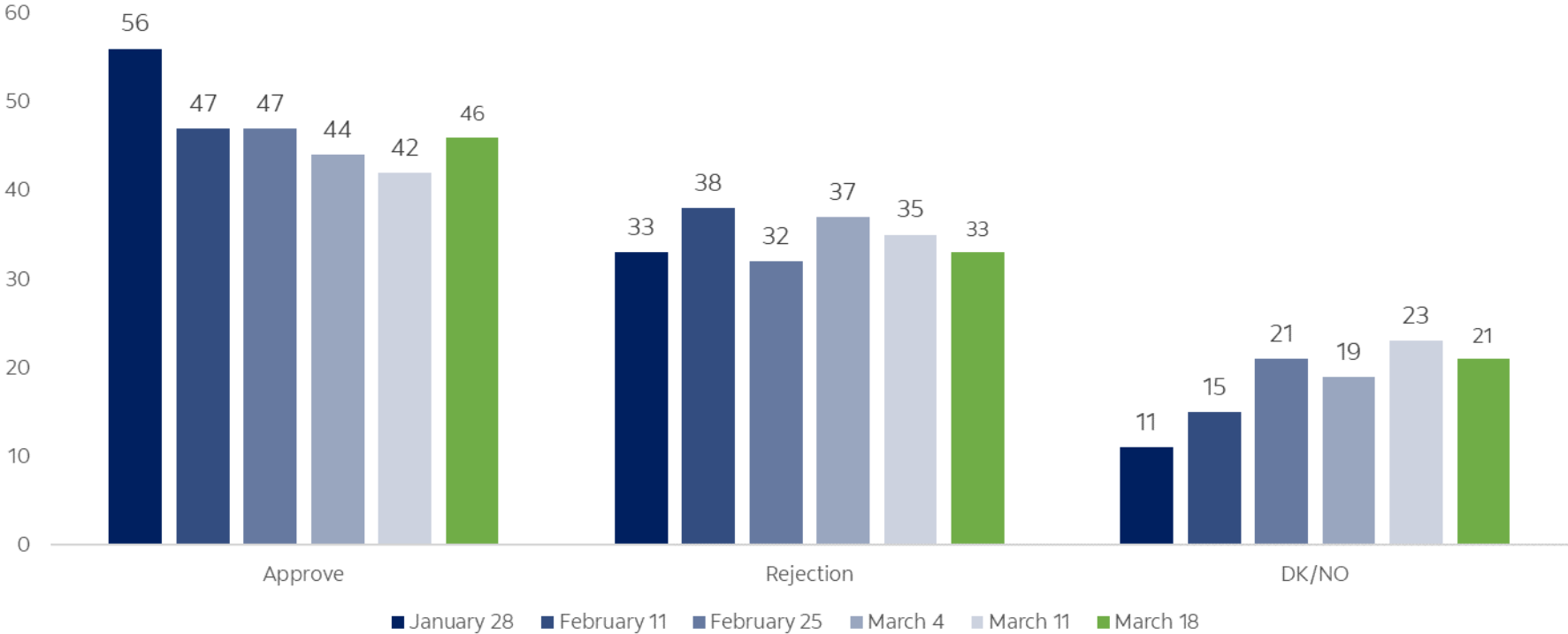
1/2 = 78 votos.

*** Vamos por Chile (37) necesita al menos 14 votos adicionales para bloquear aprobaciones en el pleno**

Support for the exit referendum has been falling. More people are undecided.

Exit Referendum: With the information you currently have, would you vote to approve or reject the constitution proposed by the Constitutional Convention in the exit referendum in September this year?

(%)



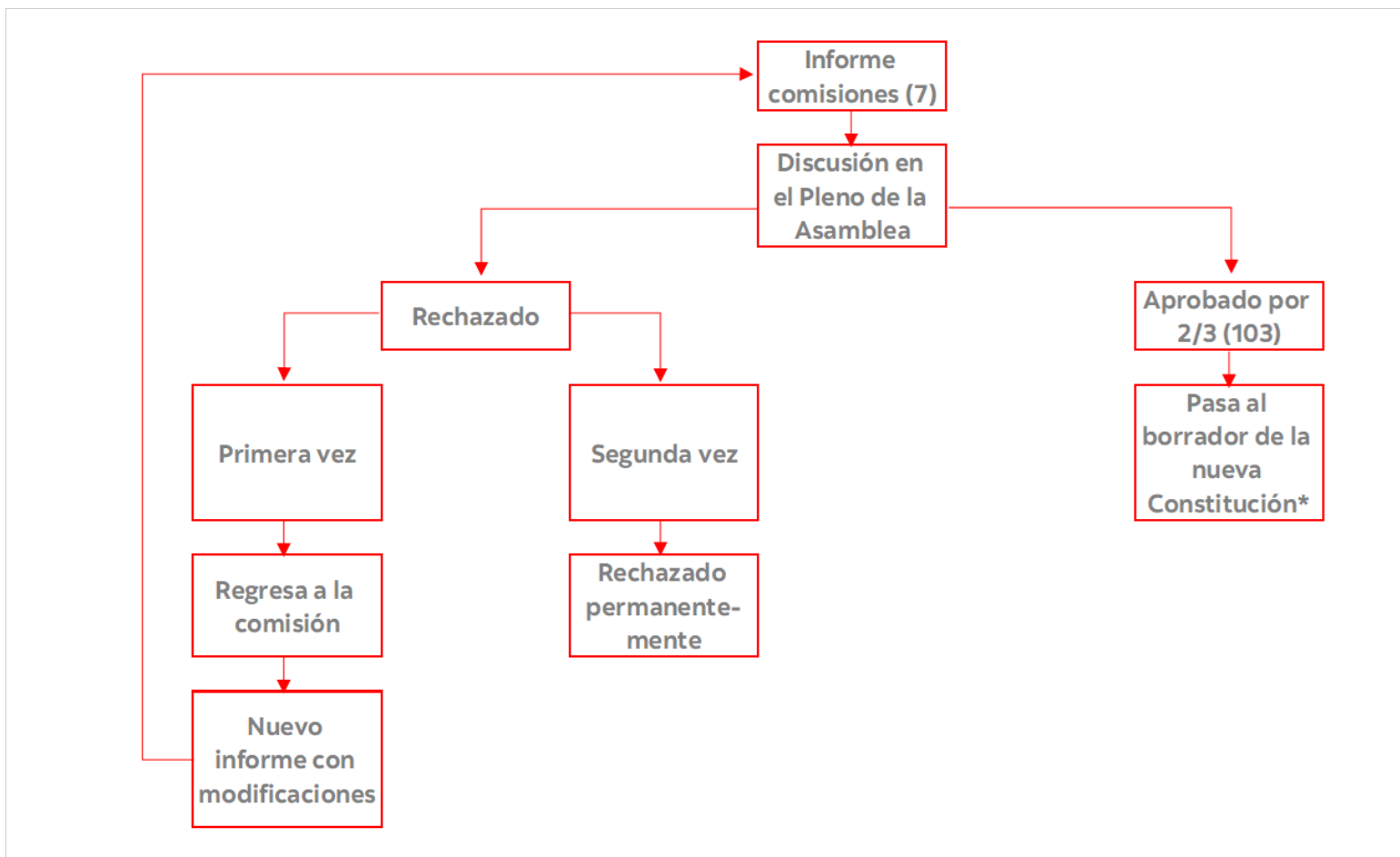
Source: CADEM.

Thematic Commissions

Commission	First Report	Approved in general (number of articles)	Approved in particular (passed to the draft)	Replacement Report (first report)	Second Report
State Forms	✓	28/36	24/28	In progress	In progress
Justice System	✓	14/16	10/14	In progress	Voting in general sense
Knowledge and Culture Systems	✓	13/30	8/13	7 new articles moved to draft	In progress
Political System	✓	3/96	-	-	In progress
Constitutional Principles	✓	9/36	7/9	In progress	In progress
Fundamental Rights	✓	16/50	8/16	In progress	In progress
Environmental and Economic Model	✓	6/40	1/6	In progress	In progress

Main risks: Higher government expenditure, lower private investment, increase in labour cost, higher political uncertainty.

Proceso constitucional



***La Comisión de Armonización asegurará la concordancia y coherencia del Proyecto de Constitución (sesionará desde el 28 de abril al 2 de junio).**

2/3 = 103 votos (pasa a borrador para ser armonizada posteriormente). Quórum requerido en el Pleno.

1/2 = 78 votos (se devuelve a la comisión respectiva). Este quorum permite aprobación en general y particular sólo en las comisiones temáticas.

Fechas relevantes

Fechas (año 2022)	Tema	Detalle
22 de abril	Cierre del debate constitucional	Último día de votaciones.
27 de abril	Presentación del Proyecto de Constitución	Mesa directiva entrega al Pleno el Proyecto de Constitución que pasa a Comisión de Armonización.
6 de junio	Presentación del informe de la Comisión de Armonización	Se presenta al Pleno el informe con indicaciones al Proyecto.
24 de junio	Término del proceso de armonización	Fin de votaciones del proceso de armonización.
5 de julio	Término del funcionamiento de la Convención Constitucional	Plazo máximo de funcionamiento que incluye la prórroga aprobada de 3 meses.
Julio (por definir)	Entrega de propuesta de Constitución Política	Entrega al Presidente de la República, para que convoque dentro de los 3 días siguientes a plebiscito nacional constitucional.
Septiembre (por definir)	Plebiscito de salida	Plebiscito para aprobar la propuesta de nueva constitución (60 días después de publicada la convocatoria del Presidente en el Diario Oficial).

Comisión de Forma de Estado.

Tema	Detalle	Estado actual	Riesgo
Estado Regional (art. 1 y 2)	Propone la creación de regiones y comunas autónomas, autonomías territoriales indígenas y territorios especiales.	Aprobado en comisión, en general.	Riesgo de aumento de gasto por independencia financiera regional.
Asamblea Legislativa Regional	Órgano dotado de facultades legislativas, deliberadoras y fiscalizadoras a nivel local.	Rechazada (100 votos). Vuelve a la Comisión.	Riesgo para la inversión. Riesgo de federalismo. Riesgo de aumento de gasto por independencia financiera regional.

Comisión de Sistemas de Justicia.

Tema	Detalle	Estado actual	Riesgo
Gratuidad y justicia arbitral (art. 10)	Garantiza el acceso a la función jurisdiccional de forma gratuita. La justicia arbitral será siempre voluntaria.	Aprobada. Pasa al borrador.	Aumento de gasto público. Posible fin a tribunales especializados (arbitrajes voluntarios).
Paridad y perspectiva de género (art. 14)	Garantiza que todos los órganos y personas que intervienen en los procesos judiciales deben asegurar la igualdad.	Aprobada. Pasa al borrador.	Indefinido. Requiere norma.
Plurinacionalidad, pluralismo jurídico e interculturalidad (art. 15)	Se refiere a estructura, integración y procedimientos.	Aprobada parcialmente. Pasa al borrador solo el inciso 1.	Indefinido. Requiere norma.
Pluralismo jurídico (art. 2)	Proponía la coexistencia del sistema nacional de justicia con los sistemas jurídicos indígenas.	Rechazada (93 votos). Vuelve a la Comisión.	-

Comisión de Sistemas de Conocimientos y Culturas.

Tema	Detalle	Estado actual	Riesgo
Acceso universal a la conectividad digital (art. 18 y 19)	Asegura el acceso y obliga al Estado a superar las brechas.	Aprobado en general en el Pleno. Pasa a votación en particular.	Aumento de gasto público.
Pluralismo de los medios de comunicación	El Estado debe velar por el pluralismo y diversidad de opiniones.	Aprobado en general en el Pleno. Pasa a votación en particular.	Riesgo de totalitarismo comunicacional.

Comisión de Sistema Político.

Tema	Detalle	Estado actual	Riesgo
Congreso Unicameral	Propone un Congreso unicameral, suprimiendo la Cámara Alta.	Indicación. Debe ser votada en la comisión (en particular).	Menor equilibrio político Mayor Gasto Público Mayor probabilidad programa Boric.
Consejo Territorial	Propone la creación de un órgano paritario y plurinacional de representantes territoriales.	Indicación. Debe ser votada en la comisión (en particular).	Menor equilibrio político Mayor Gasto Público Mayor probabilidad programa Boric.
Veto Presidencial	No se ha discutido la inclusión de un veto Presidencial.	No incluido en la propuesta	Disminuye atribuciones al Poder Ejecutivo. Aumento de gasto.

Comisión de Principios Constitucionales.

Tema	Detalle	Estado actual	Riesgo
Tratados internacionales	Reconocimiento a los tratados internacionales ratificados por Chile.	Iniciativa. En discusión en la Comisión.	No aprobarlo iría en contra del acuerdo por la paz social y la nueva constitución (Nov. 2020).
Participación popular y democracia directa	Propone participación a través de referéndums, iniciativas populares de ley, plebiscitos, revocación de mandatos y consultas ciudadanas, entre otros.	Iniciativa. En discusión en la Comisión.	Reducción del poder legislativo. Mayor incertidumbre política.

Comisión de Derechos Fundamentales.

Tema	Detalle	Estado actual	Riesgo
Propiedad privada (art. 24)	Modifica concepto actual de propiedad privada, dejando fuera a los bienes incorporeales (no físicos). Deja bajo el amparo solamente de la ley a los contratos, concesiones, derechos de autor, etc.	Aprobado en comisión. Despachado para votación en sala.	Riesgo sobre inversión privada, al degradar derecho de propiedad de bienes incorporeales.
Propiedad intelectual (art. 25)	Derecho a la protección de producciones científicas, literarias o artísticas.	Aprobado en comisión. Despachado para votación en sala.	-
Expropiaciones (art. 26)	Se autorizan las expropiaciones por una causa de utilidad pública o interés general declarado por el legislador.	Aprobado en comisión. Despachado para votación en sala.	La obligación de pagar un precio justo quedó fuera de la propuesta. La ley determinará el justo monto del pago.
Propiedad privada indígena (art. 27)	Gozará de protección especial y no podrá ser enajenada, embargada, gravada, salvo entre indígenas del mismo pueblo.	Aprobado en comisión. Despachado para votación en sala.	Riesgo para inversión privada. Se indica que la ley determinará sanciones y reparación para daños ocasionados entre otros por proyectos de inversión.
Restitución territorial (art. 28)	Los pueblos indígenas tienen derecho a recuperación, restitución y reclamación territorial.	Aprobado en comisión. Despachado para votación en sala.	Mayor costo fiscal por expropiaciones de territorios. Riesgo para inversión privada en zonas indígenas (forestal, agrícola, etc.).

Comisión de Medio Ambiente y Modelo Económico.

Tema	Detalle	Estado actual	Riesgo
Nacionalización de recursos naturales	Establece la nacionalización de los bienes naturales de carácter estratégico (cobre, litio, oro, plata, uranio, otros).	Aprobada en comisión, en general.	Riesgo institucionalidad para la inversión. Riesgo inversión privada.
Autorización de actividades económicas o productivas	Establece el derecho de consulta comunal en materia ambiental.	Aprobada en comisión, en particular. Despachado para votación en sala.	Riesgo para el desarrollo de inversiones públicas y privadas.

Cronograma:

21 feb.-11 mar.: votación en particular sobre Bienes Naturales Comunes

14-25 mar.: votación en particular sobre Modelo Económico.

Disclaimers

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

TM Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including; Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.