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GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Chile Economic Activity; U-Rate Recap

- **Chile: Unemployment rate drops to 8.7% in November quarter**

A spike in crude oil prices on Middle East risks is the highlight kicking off trading in 2024 amid thin volumes as Japan sits out today and tomorrow. Over the weekend, China's Xi noted the weak performance of the country's economy in 2023 and pledged to strengthen the economic recovery. On the data front, it's been a quiet overnight session with only some global manufacturing PMI revisions that have come and gone. We have a relatively quiet rest of the day data-wise in the G10 before a flood of figures over the balance of the week that include US ISM, US/Canada jobs, Eurozone inflation, and the FOMC's meeting minutes.

The ~2% rise in Brent/WTI is acting as a drag on global rates markets, seeing USTs about 5–6bps higher across the curve. In other commodities, iron ore, up 2.2%, and copper, up 0.2%, may be getting a boost from Xi's speech. Eurozone equities are opening the year in a strong mood compared to mixed US equity futures. The USD is mixed with the JPY and CHF losses of 0.5/6% the standouts—likely reflecting the rise in US yields—while the MXN and AUD, up 0.2/3%, lead.

Today's Latam highlight is the release of Chilean economic activity data for November at 6.30ET. The median economist expects a decent 1% y/y rise in output on a 0.2% m/m gain that would follow the small contraction of 0.1% in October. This remains a relatively sluggish pace of growth in the country, with no clear signs that an end to the period of economic stagnation since mid-2022. Today's data out of Chile is the main item on the Latam calendar in a quiet shortened week that also incudes Banxico's December meeting minutes on Thursday.

Colombian markets will reopen today to Friday's announcement of a 12% minimum wage increase for 2024 which was in line with our upper estimate—and unsurprisingly well below the 18% that labour groups sought. Those in Peru will react to yesterday's slightly higher than expected December inflation print, at 3.24% vs median at 3.20% and a touch above the BCRP's projection of 3.1% in its latest MPR. Excluding food and energy, inflation fell to 2.9%, its first sub-3% reading since November 2021.

—Juan Manuel Herrera

CHILE: UNEMPLOYMENT RATE DROPS TO 8.7% IN NOVEMBER QUARTER

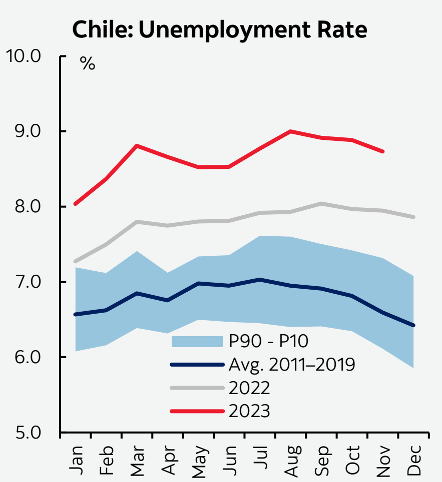
- **Strong job creation, with mixed details**

On Friday, December 29th, the statistical agency (INE) released the unemployment rate, which fell to 8.7% in the quarter ended in November (chart 1), better than market expectations (Bloomberg: 8.8%) and in line with our expectation. The drop in the unemployment rate was explained by an increase in employment (+0.9%) that outpaced the increase in the labour force (+0.8%).

Strong job creation (+85k), with mixed details. Job creation was the strongest in almost two years (since December 2021) thanks mainly to new private salaried jobs (+57k). However, 62k of total new jobs were created in informal firms and sectors and a large part of them for seasonal reasons, reflecting a still weak labour market. In fact, the seasonally adjusted unemployment rate increased from 8.9% to 9%.

After six months, the construction sector again created employment, although all of them informal. Once again, agriculture and commerce were the economic sectors that stood out for creating more jobs, which is positively influenced by seasonal reasons. In the case of agriculture, 24k jobs were created, above what was created last year at the same time,

Chart 1



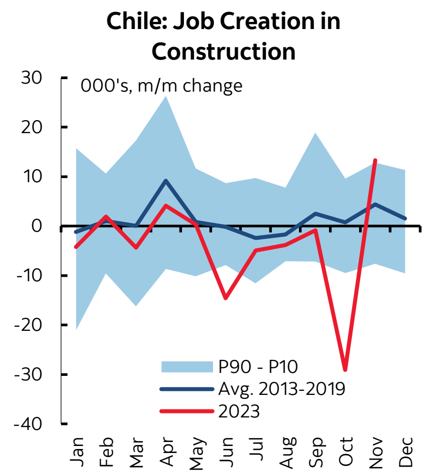
Sources: Scotiabank Economics, INE.

which could be associated with higher requirements after the destruction left by the winter rains. The good news is that the construction sector managed to recover part of the jobs lost during the year with the creation of 13k new jobs (chart 2), all of them in informal sectors or companies. Considering this, the sector remains with a level of employment well below what has been observed historically.

The private sector led wage and salary job creation with 57k new jobs. This figure is the best observed in the last year (since November 2022), putting an end to four consecutive months of losses in this type of employment. On the other hand, the scarce direct contribution of the public sector in job creation is ratified, which accumulates a destruction of one thousand jobs since March 2023, which would be associated to the slow progress in the execution of public investment in ministries such as Public Works. According to information up to October, the progress of public investment is only 57.5% with respect to the Budget (47.2% in Public Works).

—Aníbal Alarcón

Chart 2



Sources: Scotiabank Economics, INE.