

Contributors

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.601.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Aníbal Alarcón, Senior Economist
+56.2.2619.5465 (Chile)
anibal.alarcon@scotiabank.cl

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.

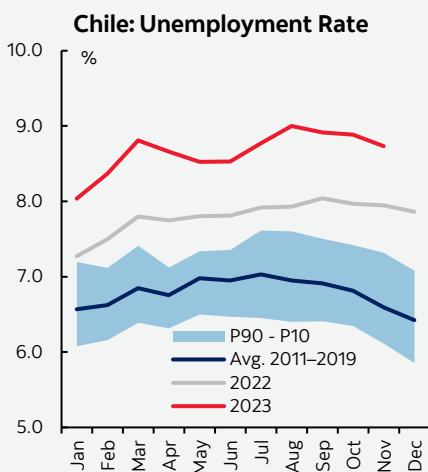
The ~2% rise in Brent/WTI is acting as a drag on global rates markets, seeing USTs about 5–6bps higher across the curve. In other commodities, iron ore, up 2.2%, and copper, up 0.2%, may be getting a boost from Xi's speech. Eurozone equities are opening the year in a strong mood compared to mixed US 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 includes 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

Chart 1



Sources: Scotiabank Economics, INE.

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%.

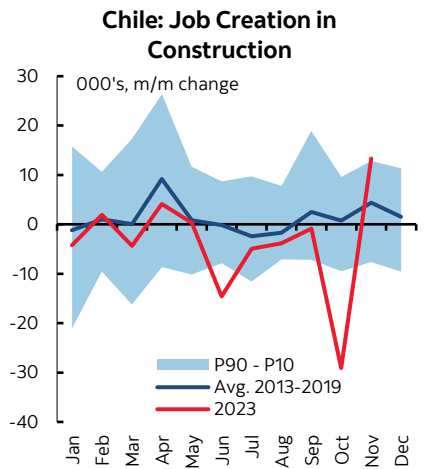
After six months, the construction sector again created employment, although all of them informal. Once again, agriculture and commerce were the economic sectors that stood out for creating more jobs, which is positively influenced by seasonal reasons. In the case of agriculture, 24k jobs were created,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

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.

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.

™ 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.