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# Latam Daily: Chile Macro Flood, Colombia Unemployment; Chile Employment Recap

- Chile: In the quarter ending in July, 64k jobs were lost, 86% of them self-employed

Global yields sit in narrow ranges near yesterday's respective closing levels, gaining only a couple of bps (especially in Europe) after the release of on-expectations Eurozone inflation this morning. Hotter than expected Tokyo, Dutch, and French CPI ahead of the currency's bloc's reading had limited impact on rates markets that now await key US PCE data at 8.30ET—ahead of the US and Canadian long weekend. Note that Peruvian markets are closed today too (but be mindful of the release of local CPI on Sunday).

USTs are little changed across the curve with a very slight twist flattening bias while gilts gain 3/4bps across the curve and EGBs are near unchanged in the front end while bid ~2ps in the long end. The risk tone looks in decent shape as European indices and US equity figures average gains of about 0.5%. After a very rough start to the month amid US growth concerns and wild trading in Japan, S&P 500 futures are on track for a 1.5% increase on the month (and about +8.5% from its worst closing level this month, on the 5th). Oil is steady, in contrast to a 1% rise in copper (that takes it to flat on the month) and a 1% drop in iron ore (which drags it to a near 7% decline in August).

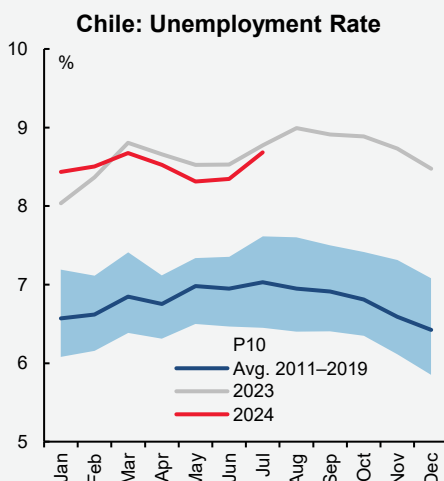
Major currencies are mixed against the USD with most only gaining or losing 0.2% while the MXN is again an outlier, today with a 0.5% gain that builds a buffer to the 20 pesos level that it neared yesterday. However the MXN may be performing at this time of the day should not be assumed to be how it will perform for the balance of the day, as we have seen a few times this week the speed with which political headlines can quickly turn the tables on the MXN. On Monday, Mexico's 66th Congress kicks off, with the approval of AMLO's constitutional reform proposals on tap.

A flood of Chilean macro data and Colombian unemployment figures are today's Latam highlight (aside from Mexico reform headlines). At 9ET, Chile's INE publishes July retail sales, commercial activity, and industrial/mining production data and Colombia's DANE releases July unemployment data at 11ET (seen a tick higher at 10.3%); BanRep also has a non-rate-setting meeting today.

Chile's data are seen mixed as retail sales are projected to slow sharply from the very strong 7.9% posted in June thanks to CyberDay offers at the start of the month, while industrial production is expected to recover after a sharp contraction in manufacturing/ utilities output in June. Today's data will help us refine our expectations for Monday's economic activity release, while having little bearing on a very likely 25bps rate cut by the BCCh on Tuesday.

—Juan Manuel Herrera

Chart 1



Sources: Scotiabank Economics, INE.

## CHILE: IN THE QUARTER ENDING IN JULY, 64K JOBS WERE LOST, 86% OF WHICH SELF-EMPLOYED

- Disappointing labour market figures not in line with the trajectory of the cycle

On Thursday, August 29<sup>th</sup>, INE released the unemployment rate for the quarter ending in July, which rose to 8.7% (chart 1), far exceeding market expectations as 64k jobs were lost (chart 2), the largest drop since the pandemic, and much more generalized across all sectors compared to May and June. The labour market has been showing clear signs of marked weakness for several months, with job creation figures sustained to a large extent by the good performance of public investment and the contribution of the Census through the participation of almost 30k surveyors. Faced with a GDP contraction of 0.6% q/q in the

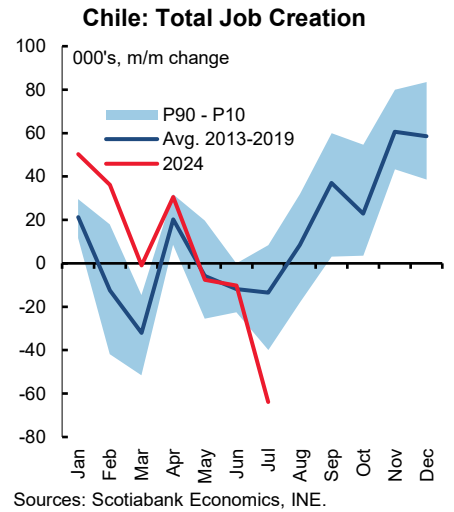
second quarter (similar to that observed in mid-2023) but with employment destruction comparable to that of the pandemic period, the assessment of “consistency with the trajectory of the cycle” made by the central bank in the June meeting seems to fall short of the current critical situation of the labour market.

As we anticipated in previous reports, there has been a loss of public salaried employment due to the completion of the Census work in July. In the quarters ending in June and July, there have been declines of about 10k jobs in public administration. According to INE figures, about 30k jobs were created due to the Census work, so the full effect of the end of this work will continue to be seen in the coming months.

Transportation once again shows job losses, with a drop of 13.7k jobs, reversing the increase observed since March. Hypotheses for this drop in employment in the sector range from weather factors and possible adjustments due to the new Uber Law, to a setback in air transport after a dynamic start to the year. In this line, a poor performance is also observed in the accommodation and food sector, despite the positive seasonality expected for a winter vacation month such as July.

Commerce employment recovery seems to be one of the few pieces of good news. Continuing with what was observed in June, commerce again created salaried employment (+14k), although at the expense of a strong destruction of self-employment (-16k), which we consider to be a genuine improvement in the quality of employment in this sector that could be related to the strong rebound in the economic activity of commerce observed in June. Along the same lines, mining recovered part of the employment lost in the second quarter, most of which was salaried.

Chart 2



—Aníbal Alarcón

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