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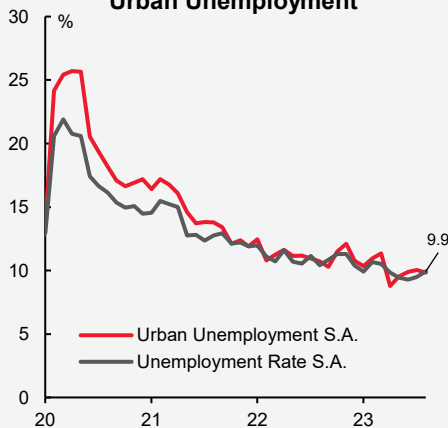
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Chart 1

Colombia: Nationwide and Urban Unemployment



Sources: Scotiabank Economics, DANE.

Latam Daily: Peru CPI, Chile Econ Activity, Banxico Survey; Waiting for Powell

- **Colombia: Job creation is slowing**

Rates markets are starting the month with a reversal of Thursday’s losses on a dubious reaction to US data yesterday and some relatively hawkish comments by Daly—even ignoring a ~5% collapse in oil prices over the period on OPEC disappointments. The overnight session was quiet as Chinese private manufacturing PMIs beat, coming back above 50. There was with no real follow through of note in markets that also didn’t get much new news in Europe hours where we only got the release of final manufacturing PMIs in the UK and the Eurozone that showed upward revisions—but new data from Italy disappointed. Global markets await Canadian jobs/wages data at 8.30ET and US ISM manufacturing at 10ET, while the main event will be Powell’s double speaking appearances (at 11ET and 14ET) where we may get additional pushback to rate cuts pricing that currently has 115bps in reductions by next December.

At writing, we have US front-end yields roughly where they sat before the US data/ comments yesterday while the long-end remains relatively well offered versus levels then, albeit with small yield declines on the day. US equity futures are range bound, as the SPX index itself has been since last Friday, chopping around 4,500. European bourses are in good shape, up 0.7% in ESX and 0.8% in FTSE which looks more like a catching-up to post -Europe US equities action on Thursday. Crude oil is trying but the 0.2/3% rise in WTI/ Brent is a drop in the bucket of the 5% drop yesterday; Angola announced yesterday that it intends to break the quota set by OPEC of the voluntary cutbacks (the market is right to be skeptical). Iron ore is up 1.2% and copper is up 1%, likely aided by the Chinese data.

The USD is paring its Thursday gains but is generally holding about half of those and the EUR is barely trying in a push through 1.09; the common currency is only one of four majors down on the week (and the worst G10, off 0.4%) following the bloc’s weaker than expected inflation data. The weakest major currency this week, the MXN, is among the day’s best performers to track a 0.5% rally to the 17.25/30 area but that still leaves it 1%+ weaker since Friday—more than double the EUR’s losses and well beyond 0.4% and 0.2% losses in the BRL and PEN, respectively, versus flat COP and CLP.

We have a busy day ahead in the region today, starting with Chilean October economic activity (Imacec) data in a few minutes, followed by Peruvian CPI at 10ET at the same time as the results of Banxico’s economists’ survey. Yesterday, the combination of industrial/ manufacturing production, and retail sales data that came in all much stronger than expected (or less weaker in the case of retail sales) means that the median estimate of 0.4% y/y for today’s economic activity print faces upside risks. Note that the release of quarterly GDP data last week brought revisions to monthly activity data that mean that Imacec did better than the 0.0% shown on Bloomberg screens. The BCCh’s Cespedes speaks at 11.1ET on monetary policy so we may get more clarity on whether a 75bps cut is on its way.

As for Peru CPI, our team previewed the release in yesterday’s Latam Daily (see [here](#)): “We expect November inflation to be close to 0.15% m/m in our most updated estimate, recovering from the October drop (-0.32% m/m). Despite this, the inflation trend would continue to decline, from 4.3% to 4.0%.” A sub-4% print could prompt more bets in markets and by economists that the BCRP could cut by 50bps this month, but our baseline remains a 25bps reduction. Aside from the data, continue to keep an eye on political intrigue, and we highlight that yesterday Congress approved the 2024 budget on deadline day, which according to the Fin Min shows spending 12.1% above the 2023 plan.

—Juan Manuel Herrera

COLOMBIA: JOB CREATION IS SLOWING

Employment data released on Thursday, November 30th showed that the national unemployment rate for October was 9.2%, while the urban unemployment rate stood at 9.0%. Compared to the same month of the previous year, they reflect a decrease of 0.5pps and 0.9 pps, respectively. On a seasonally adjusted basis (S.A), the urban unemployment rate showed a slight improvement versus the previous month, reaching 9.9% from 10%, while the nationwide unemployment rate deteriorated from 9.5% to 9.9% (chart 1).

Compared with the previous year, +476k jobs were created in October. The results reflect a slowdown in job creation since some months ago job creation exceeded the one million new jobs mark, and now we are seeing a mixed picture with some sectors generating new jobs while others are reducing their staff. Services-related activities are contributing to the employment increase, however manufacturing and commerce sectors are partially offsetting, something that is aligned with the economic deceleration. In the seasonally adjusted series, the employment rate was 57.3%, dropping from 58.4% in September, which corresponds to a decrease of 392k employed persons. Additionally, people outside the labour market continued increasing by +387k m/m.

October's results will be important for the discussion of next year's salary increase. The Government, employers and unions began meetings on November 28th to agree on the minimum wage increase for 2024, and they will have until December 15th to reach an agreement. It is important to highlight that November's inflation data to be released on December 7th will be the basis to start the negotiations. The minimum wage increase is a decisive piece of information for BanRep, since it will define a significant part of the indexation effects in 2024 with the purpose of keeping inflation under control.

Key information on employment data:

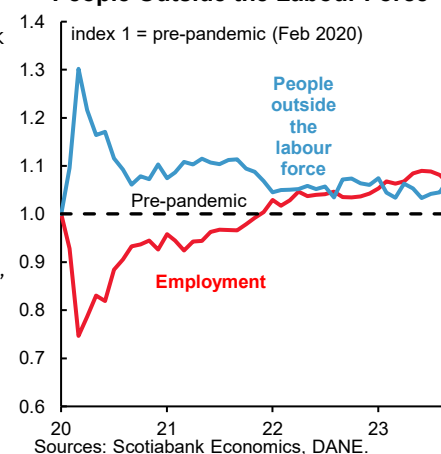
- In October, +476k new jobs were created. By sectors, hotels and food services added +268k new jobs, contributing 1.2 pp to the total variation. This increase may be associated with the increase in domestic and international tourism and the holiday week (between October 9th and 12th). Public administration and defense, education and human health care added +191k new jobs, contributing 0.8 pp to the total. In contrast, commerce and repair of vehicles lost 135k jobs, subtracting -0.6 p.p., followed by manufacturing industries, which showed a decrease of 108k jobs.
- The female unemployment rate was 11.5%, dropping significantly compared to the 12.6% observed in October 2022. Women have gained an important participation in the labour market. In October, around 90% of the new jobs were absorbed by women (+427k). Meanwhile, the male population registered an unemployment rate of 7.5%, adding +49k jobs.
- By cities, Bucaramanga registered the lowest unemployment rate in the August–October quarter, with a rate of 7.2%, followed by Santa Marta with an unemployment rate of 7.3%, presenting a significant drop of 4.3 p.p. compared to the same period of the previous year (11.6%). The cities with the highest unemployment rates were Quibdo (23.5%), Florencia (14.1%) and Rioacha (13.1%).
- By occupational position, private employment added +403k jobs, of which +124k were absorbed by the male population and +279k by the female population. The second position in adding jobs was self-employment (+212k), with an increase in women population (+240k), while men subtracted 28k jobs from this position. Informality fell 2.4 p.p. in annual terms, reaching 55.2%. Formal employment added +764k jobs, while informal employment decreased by 288k. By geographic domain, urban areas presented a formal job creation of +511k and rural areas an increase of +47k.

Concluding remarks

The labour market is beginning to show a deterioration in employment in sectors that have shown lower economic activity dynamics such as manufacturing industries and commerce; however, this negative behaviour is offset by a strong services sector. Employment data shows that the economic deceleration is reflecting mixed effects, between goods and services-related sectors. Either way, the unemployment rate is at the lowest level since 2018. BanRep's board of directors has been emphatic that its main objective is inflation, however recent economic activity and employment numbers are paving the way for a rate cut discussion. A rate cut in December is still a close call and any decision will strongly depend on forthcoming information such as inflation results to be published on December 7th, economic activity data, and the minimum wage negotiation.

Chart 2

Colombia: Employment vs People Outside the Labour Force



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