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Latam Daily: Chile's Unemployment Rate Rises

- Chile: Unemployment rate rises to 7.9%, as expected

CHILE: UNEMPLOYMENT RATE RISES TO 7.9%, AS EXPECTED

Creation of salaried employment not enough to absorb the growth of the labor force.

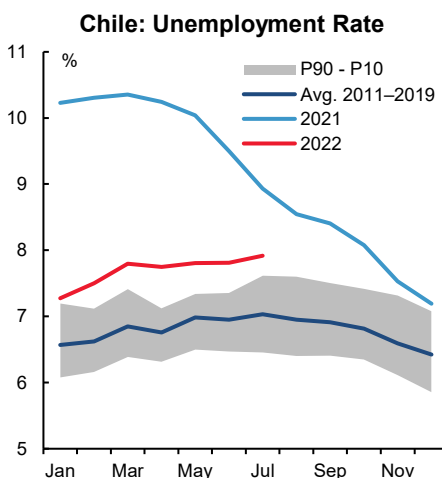
On Tuesday, August 30, the statistical agency (INE) released the unemployment rate for the quarter ending in July, which rose to 7.9% (7.8% in the previous quarter) (chart 1), in line with market and Scotiabank's expectations. The rise was explained by the greater monthly increase in the labor force (0.2%) compared to employment (0.1%), as recovery in labour supply growth outpaced job creation. Although employment increased by more than expected in the month, it continues to show a recomposition of informal jobs to salaried jobs, which was likely supported by the Labor Emergency Family Income (labour IFE).

The gap with the pre-pandemic level of employment continues to close. In July, the difference was reduced to 214k jobs, owing to the creation of 11k jobs compared to the previous quarter. By sectors, the informal employment gap continued to widen, reaching 273k, while the level of formal employment a few quarters ago exceeded that prior to the pandemic, reaching a positive difference of 60k jobs at the margin (chart 2).

Education and construction were the sectors that generated the most jobs, while commerce again showed weakness, losing jobs for the second consecutive quarter. At the aggregate level, 25k jobs were created in education, most of them formal, while construction appears to be in a process of recomposition from self-employed to salaried employment, with a net job creation of 12k jobs. In our view, the strength of this sector is related to an acceleration of public investment projects in the most recent period, which could contribute to employment gains through the end of the year.

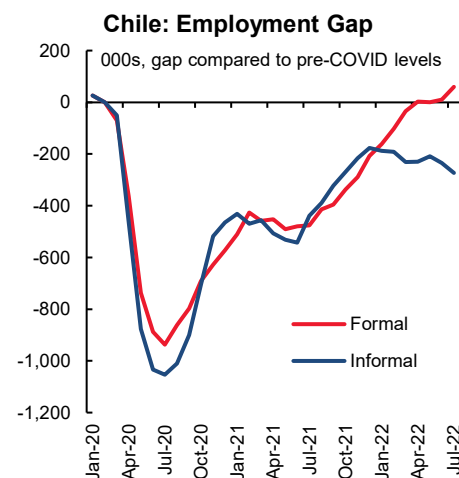
In total, 32k salaried jobs were created, mostly in the private sector, greater dynamism than that observed in recent years. That said, self-employment continues to decline in some sectors, mainly in transportation and manufacturing (excluding construction). The loss of salaried employment in commerce is also observed, which explains the lower dynamism faced by the sector following the end of tax aid and withdrawals from pension funds, together with the end of liquidity in bank accounts.

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

August 30, 2022

Overall, our analysis of the labor market is positive, though considerable uncertainty remains. The economy should be capable of generating jobs at a time of zero economic growth, but employment continues to depend largely on fiscal support programs for hiring (IFE laboral) in addition to being concentrated in a few sectors. In this sense, the loss of salaried jobs in professional services, a sector naturally linked to the materialization and progress of investment projects, is worrying. In addition, the slowdown in trade is taking its toll on the labor market.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

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