Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Chile 2022 Issuance Plan; Colombia Imports; Peru Employment Data

- **Chile: Ministry of Finance—issuance plan considers USD 20 bn, of which USD 6 bn will be in foreign currency**
- **Colombia: November's imports rose 56.3%; monthly trade deficit widened to highest level in at least 14 years**
- **Peru: Lima labour market improved significantly at the end of 2021**

CHILE: MINISTRY OF FINANCE—ISSUANCE PLAN CONSIDERS USD 20 BN, OF WHICH USD 6 BN WILL BE IN FOREIGN CURRENCY

Earlier today, Tuesday January 18, Chile's Ministry of Finance (MoF) announced its 2022 issuance plan, which considers issuing Treasury bonds for a total of USD 20 bn during 2022, within the debt limit authorized by the 2022 Budget Law. The 2022 debt issuance plan considers the issuance in local and foreign currencies. According to the MoF, local currency issuances are planned in the order of USD 14 bn, and foreign currency issuances are estimated at USD 6 bn. The local currency financing plan considers the issuance of short-term notes for approximately USD 3 bn, and the remaining USD 11 bn in medium to long-term bonds. Also, the plan considers issuances of peso "social" bonds for a total of USD 4 bn allocated through a book-building process. Finally, the plan considers that USD 2 bn of the total issuances in foreign currency will be transferred to the Economic and Social Stabilization Fund.

—Anibal Alarcón

COLOMBIA: NOVEMBER'S IMPORTS ROSE 56.3%; MONTHLY TRADE DEFICIT WIDENED TO HIGHEST LEVEL IN AT LEAST 14 YEARS

November's imports data, released by statistical agency (DANE), on Monday, January 17, came in at USD 6.55 bn (CIF terms), expanding 56.3% y/y (chart 1) and reaching their highest level since October 2014. Compared with November 2019, imports increased by 37.58%, showing the effect of a robust economic recovery but also the effect of higher international prices. That said, the monthly trade deficit stood at USD 2.01 bn (chart 2), the highest since DANE's records started (2007). Colombia's YTD trade deficit stood at USD 14.3 bn for January–November, which skew to the upside our expectation of a current account deficit of 5.2% of GDP in 2021.

Chart 1

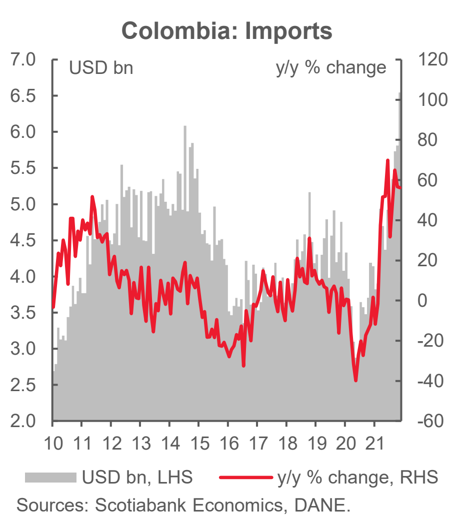
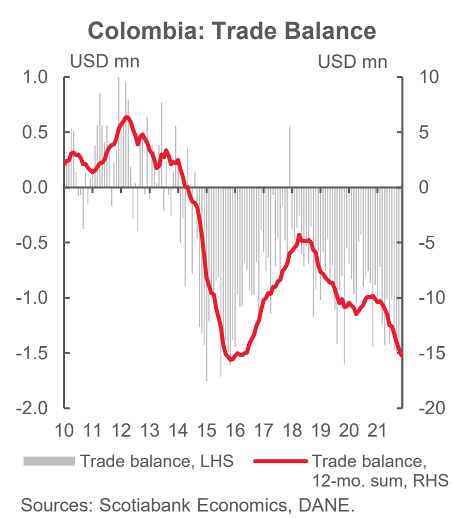


Chart 2



Monthly raw material imports and consumption-related imports are at their historical highs, at USD 3.25 bn and USD 1.48 bn, respectively. On the other side, capital goods imports stood at USD 1.82 bn, the highest level since mid-2014. Manufacturing imports grew by 50.8% y/y accounting for the strongest positive contribution to annual imports growth, while agriculture-related imports increased by 35.3% y/y and mining-related imports grew by 190.2% y/y.

From the perspective of imports by use, the three major segments showed strong increases compared with November 2020 (chart 3):

- **Consumption-goods imports** increased by +43.1% y/y and stood at USD 1.48 bn (YTD USD 12.1 bn, +13% y/y). Durable-goods imports (+44.4% y/y) and non-durable goods imports (+42.0% y/y) are broadly equally contributing to the increase in consumption imports. Vehicles imports (+54.8% y/y), pharma products (+41.1% y/y) and foodstuff (+42.9% y/y) are leading the gains. Non-durable goods reached a new historical high, while durable goods imports are close to the 2014 average. We attribute the previous dynamic to higher prices in those goods, combined with large government purchases of COVID-19 vaccines.

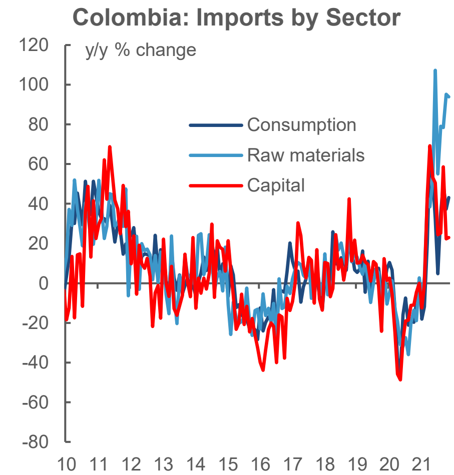
- **Raw-materials imports** grew by 93.9% y/y, due to larger purchases of foreign goods for the industrial sector (+80.3% y/y), especially those related to chemical products (+88.2%y/y) and mining products (+105.2% y/y). Raw materials imports, in dollar terms, are now in the historical high, and they continued showing the effect of higher prices as well as the ongoing economic recovery.

- **Capital-goods imports** were up by 23% y/y (USD 1.82 bn), led by higher purchases of investment-related goods in the industry (12.6% y/y) and transport equipment (+24.5% y/y). Capital-goods imports already surpassed pre-pandemic averages (2019: USD 1.37 bn) and are closer to 2014 averages (USD 1.81 bn).

Imports in 2021 are pointing to a positive demand effect due to the economic recovery, but also the effect of higher international prices. However, Colombia is showing an asymmetrical response to international high prices conditions, mainly because imports in volumes are reacting to the economic rebound and, despite higher prices, the demand remains strong. While on the exports side, even with a positive environment for commodities prices, production remains below pre-pandemic levels. That said, in November we are facing the widest external deficit in at least 14 years. We expect part of this financing to be reflected in improved FDI, however another part of this deficit is also explained by extraordinary government purchases of COVID-19 vaccines, and it would decrease somewhat in 2022. Either way, Colombia would continue with a high current account deficit, however in 2022, notably after the general election, we expect FDI to finance the greatest share of this deficit.

—Sergio Olarte & Jackeline Piraján

Chart 3

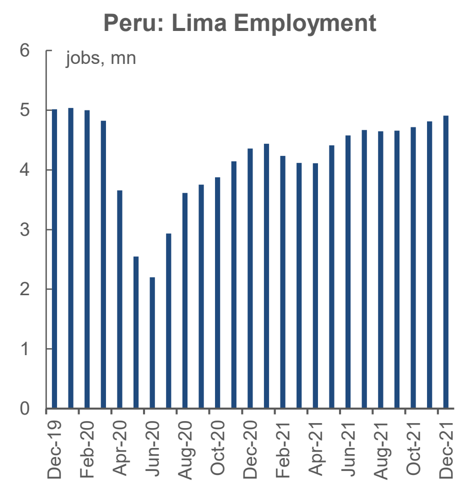


Sources: Scotiabank Economics, DANE.

PERU: LIMA LABOUR MARKET IMPROVED SIGNIFICANTLY AT THE END OF 2021

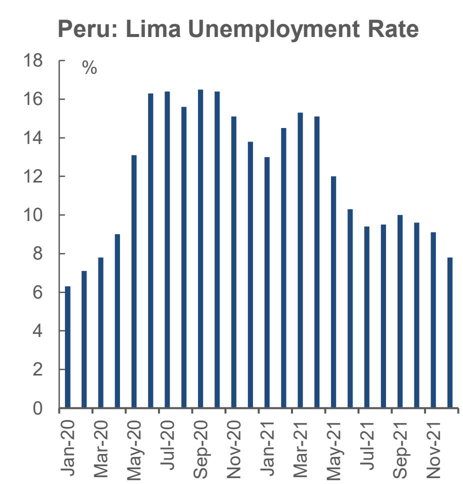
Employment in Q4 2021 was up 12.7% y/y, according to data from the National Statistics Institute, INEI. This was still below pre-COVID-19 levels (chart 4), 2.1% lower than in Q4 2019, for example, but nonetheless better than expected. As a result of this robust jobs growth, unemployment plummeted to 7.8% (chart 5), a surprisingly strong decline from 9.1% in November. Thus was much lower than our forecast of 9.5%. Unemployment is now very close to the 6% to 7% rate in which it fluctuated prior to the COVID-19 lockdown. Note, however, with Peru going through a third COVID-19 wave currently at the start of 2022, and also given seasonal factors, we expect unemployment to rise in Q1 2022 back over 8%, then settling back down to between 7% to 8% in the second semester.

Chart 4



Sources: Scotiabank Economics, INEI.

Chart 5



Sources: Scotiabank Economics, INEI.

Employment improved among all age groups. However, jobs growth was lower at higher levels of education, with jobs actually falling 3.6%, among those with a college degree. In contrast, those with only grade school education saw a 41% increase in jobs. This ratifies the suspicion we've been harbouring for some time that new jobs are of a less quality and levels of expertise than jobs lost. In line with this, average monthly wages were 9.4% lower the pre-COVID-19 levels (Q4 2019).

Given the fourth quarter results, on average for the full-year unemployment was 10.7%, and jobs growth was 20.8%, albeit, of course, off the low lockdown year base.

—Guillermo Arbe