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# Latam Daily: Unemployment Rate Rises to 8.4% in Chile

- **Chile: Unemployment rate rises to 8.4%; job creation in the public sector limited the rise in the unemployment rate**

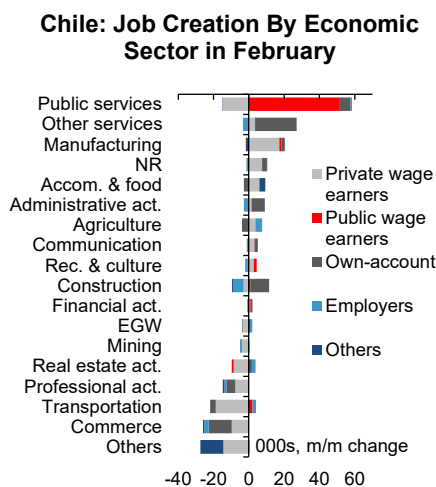
## CHILE: UNEMPLOYMENT RATE RISES TO 8.4%; JOB CREATION IN THE PUBLIC SECTOR LIMITED THE RISE IN THE UNEMPLOYMENT RATE

Public salaried employment (+56k) outweighs the loss of private salaried employment (-38k). On Thursday, March 30, the statistical agency (INE) released the unemployment rate for the quarter ending in February, which rose to 8.4%, above both our and market expectations (consensus: 8.1%). The increase with respect to the previous month was explained by the steeper increase in the labour force (0.6% m/m) compared to the increase in employment (0.2% m/m). In this respect, 22k new jobs were created, once again highlighting the impulse of the public sector, more than offsetting the loss of employment in the private sector, which still has the incentives to the formalization of the labour IFE (Emergency Family Income). This trend of accelerated public employment does not seem sustainable for the rest of the year given the limit to the expansion of public spending in the Budget Law.

Formal public employment continues to be dynamic and is concentrated in health services and public administration (chart 1). The acceleration in public spending observed since the end of last year continues to provide a boost to the creation of formal employment. Thus, in February, 49k formal jobs and 7k informal jobs were created in these public service sectors, totaling 56k new jobs (chart 2). This figure is well above the historical levels observed in the last 10 years. All of the above confirm that the pace of execution remained dynamic at the beginning of this year.

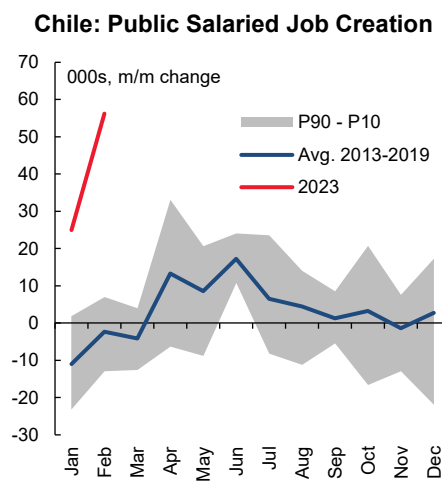
On the other hand, private salaried employment decreased by 38k (35k of them formal), higher than expected for the month, revealing the weakness of sectors such as commerce, transportation and services. Therefore, had it not been for the employment generated by the public sector during February, we would have observed a drop in total employment of around 35k, a loss of employment even greater than that usually in February. Assuming the same labour force level observed in the month, with zero public job creation, the unemployment rate would have been 0.5ppts higher (8.9%).

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

—Aníbal Alarcón

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