

Latam Daily: Prepping for Chile's Constitutional Vote; Mexico Employment Gains

- **Argentina:** September leading indicator defies extended lockdowns
- **Chile:** October 25 Plebiscite—beyond approval and rejection
- **Mexico:** Employment continues to make progress, but remains soft

ARGENTINA: SEPTEMBER LEADING INDICATOR DEFIES EXTENDED LOCKDOWNS

Argentina's UTDT leading indicator index moved more solidly into expansionary territory in September, rising from August's 104.9 level to 106.6. This amounted to an acceleration in the indicator's month-on-month improvement, from 0.13% m/m gains in August to 1.59% m/m in September. Although the indicator has been in annual decline since April 2018 (chart 1), reflecting three years of recession, September's reading marked the first month of a single-digit year-on-year fall since December 2019. While the print is broadly in line with our forecast of a slow improvement in economic activity heading into 2021, it may foreshadow better-than-expected numbers later today for October consumer confidence, September trade, and the August GDP proxy.

—Brett House

CHILE: OCTOBER 25 PLEBISCITE—BEYOND APPROVAL AND REJECTION

There are 14,855,719 eligible voters to participate in the Constitutional Plebiscite this Sunday, October 25. Of them, 51% are women and 49% are men. In total, 40%—more than 6 million people—are under 40 years of age. On Sunday, the population that decides to go to the polls will choose if they want a new Constitution and by what mechanism they would prefer to have it drawn up. In addition to clarifying these two unknowns, the votes could shed light on several related issues. Key points to keep in mind when assessing the results include the following:

- **Electoral participation.** This is an unprecedented process, which also attributes to itself—or at least those who signed the agreement that led to its creation claim—that it is responding to citizens' demand. So, if only a few people vote, this story has a problem. The benchmark is the participation rate that was registered in the second round of the last Presidential election, where 7,032,878 people voted, some 49% of the electoral roll. A greater or equal number would indicate that the citizen-led hypothesis for this plebiscite has some support; but, if the number is lower, it would be hard to claim that this hypothesis is valid. Participation will be essential because, if the "Yes" wins, there would be an additional exit vote to ratify the new Constitution's text, which would be a mandatory poll. If less than 50% of the electoral roll votes now, the implications for the future exit plebiscite are hard to anticipate; if the exit plebiscite is not approved and the new constitutional text loses, the Constitution of 1980 would still be valid;
- **The gap in support between conventions (i.e., assembly versus mixed assembly) for writing the new Constitution.** It is as important to know

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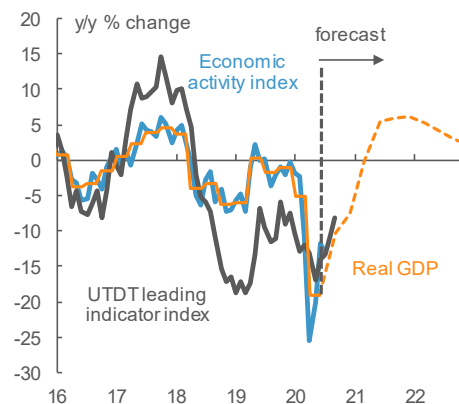
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Chart 1

Argentina: September Leading Indicator Implies Growth Pick-Up



Sources: Scotiabank Economics, INDEC, UTDT.

which option wins as it will be to know what the gap between the “Yes” and “No” votes is, and especially what the gap between preferences for a full Constitutional Convention and the Mixed Assembly option is; and

- **Generational change.** In the entire constitutional process and on the streets, young people have played a more important role than older people. It will be interesting to see if indeed these young people are going to vote or not, because if so, we would have a generation participating in politics after a very long time without doing so.

In sum, the result of the plebiscite must be analyzed calmly, and may have relevant implications on asset prices. If, for example, “Yes” wins by less than 60%, it would be a big surprise since polls have implied that this option could garner 70% of votes. If, additionally, the “mixed assembly” option wins on the second question, it would be understood to reflect a great moderation in the views of voters; the eventual approval of a new Constitution in two more years could even be at risk under this scenario. Results along these lines would have positive effects on the local stock market, support appreciation of the peso (CLP), and could raise short-term interest rates somewhat.

—Jorge Selaive

MEXICO: EMPLOYMENT CONTINUES TO MAKE PROGRESS, BUT REMAINS SOFT

On Wednesday, October 21, INEGI released Mexico’s September unemployment figures which saw the rate of unemployment continue to decline gradually from a high of 5.5% in June to 5.1% in September—still far off the pre-pandemic rate of 2.9% registered in March and higher than the 3.8% recorded in September 2019 (chart 2). The rate of underemployment came down from 17.0% in August to 15.7% in September.

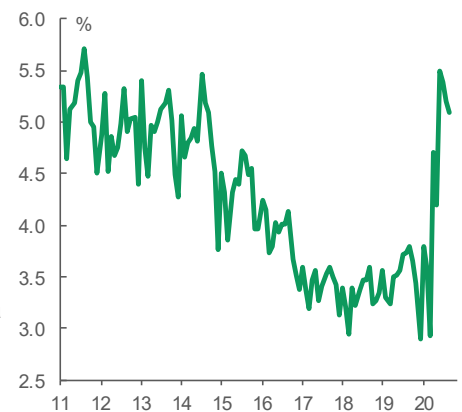
Employment has benefited from measures directed to gradually reactivate businesses and companies in non-essential economic activities. Of the 12 million people who left the Economically Active Population in April, around 8.4 million had returned by September. This took the participation rate up from 55.1% to 55.6%—still much lower than the 60.1% we saw in September 2019.

The total number of workers in small family or local businesses increased from 19.6 to 20.2 million, which implied the reintegration of 626,645 people into employment. Of these reactivations, 81% were in established small businesses and the remaining 19% were in street stalls. Meanwhile, the rate of labour informality edged down from 55.1% in August to 54.9% in September.

—Paulina Villanueva

Chart 2

Mexico: Unemployment Rate*



Sources: Scotiabank Economics, INEGI.

*ETOE figures for Apr., May, Jun.

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