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Latam Daily: Chile's Labour Market Slows

- Chile: Job losses in June end 12 months of recovery

CHILE: JOB LOSSES IN JUNE END 12 MONTHS OF RECOVERY

On Thursday, July 28, the statistical agency (INE) released the unemployment rate for the quarter ending in June, which remained at 7.8% (chart 1), in line with market expectations. The labour force contracted 0.2% compared to the previous quarter, which coincides with the fall in employment, with the loss of 17k jobs. This ends 12 consecutive months of job creation and 11 months of sustained labour force growth. Although these results are compatible with what is typically observed seasonally (falls in employment and the labour force), they also point to a loss dynamism that had been emerging since the beginning of the year, with seasonal increases in most months.

Formal employment is consolidating above pre-COVID-19 levels, while informal employment continues to fall. Formal employment grew 0.1% compared to the previous quarter, which represents more than 9k jobs (chart 2). By economic sectors, construction led the creation of formal employment (+22k), followed by transportation (+18k) and teaching (+10k). In contrast, 26k informal jobs were destroyed, mainly in agriculture (-19k) and construction (-15k). The fall in agricultural employment was less than observed seasonally; the construction sector, meanwhile, seems to be improving the quality of jobs, from informal to formal.

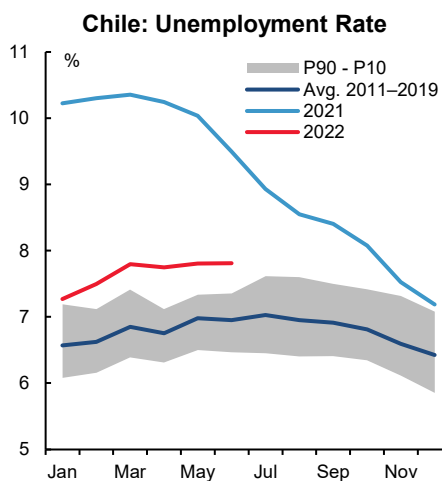
The gap with respect to pre-Covid-19 employment levels expanded, with 225k jobs still to be recovered (May: 208k). By economic sectors, accommodation and restaurant services lost 22k jobs, a drop that exceeded its seasonal counterpart. Employment in the commerce sector also fell (-13k), which is in line with the slowdown in economic activity that this sector has experienced in recent months.

Along the same lines, private salaried employment recovered robustly, supported by the labour Emergency Family Income (IFE laboral), which will remain present throughout the year. For its part, self-employment explained the fall in employment, reversing the rise registered last month, especially in the construction sector. The drop in self-employment could signal the beginning of a cycle of labour market weakness, which if there were no fiscal support (IFE laboral) could also affect the salaried and formal sector.

Given current labour market conditions, we think the central bank will conclude that the local determinants of inflation are gradually giving way, since liquidity has been almost completely exhausted and real wages have fallen significantly.

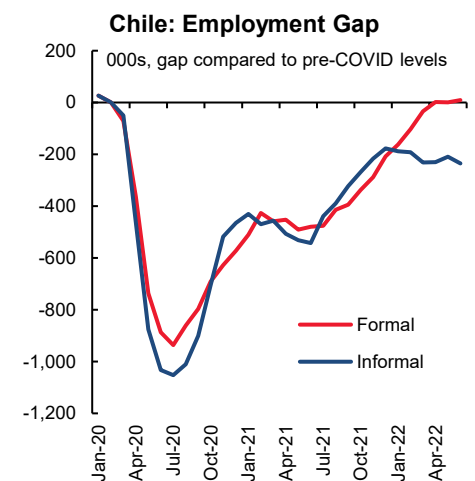
—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

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