

Contributors

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.1.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Anibal Alarcón, Senior Economist
+56.2.2619.5465 (Chile)
anibal.alarcon@scotiabank.cl

Waldo Riveras, Senior Economist
+56.2.2619.5465 (Chile)
waldo.riveras@scotiabank.cl

Latam Daily: Chile's Unemployment Rate Falls; More Political Uncertainty in Peru

- **Chile: Unemployment rate drops to 7.7%**
- **Peru: The Attorney General opens an investigation on President Castillo**

CHILE: UNEMPLOYMENT RATE DROPS TO 7.7%

Job creation everywhere—except construction. On Monday, May 30, the statistical agency (INE) announced that the unemployment rate for the three months ending in April fell to 7.7% (chart 1). The drop from the previous three-month period reflects employment growth (0.43% m/m; 38k) that exceeded labour force growth (0.38% m/m; 36k), as job creation, especially formal jobs, absorbed the effects of increased labour force participation.

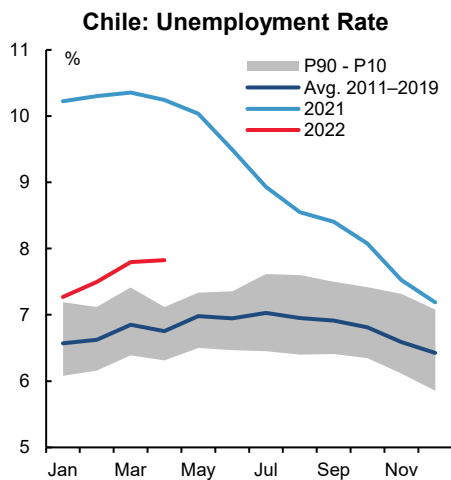
Formal employment closed the gap with respect to its pre-pandemic level. The incentives given by the government since last year through the labour Emergency Family Income (IFE), which continues through the end of the year, likely contributed to this recovery. In contrast, the informal employment gap has increased in recent months owing to the employment losses in agricultural and some services. Although 2k informal jobs were created, the gap reached 230k jobs, with a total gap of 228k (chart 2).

In recent months, the workforce has shown greater dynamism than would be expected based on seasonal factors, with monthly growth rates higher than those observed in recent years. The labour market has therefore been able to maintain a rate of job creation that absorbs part of the increase in the workforce, allowing the unemployment rate to remain near its historically observed levels. In the coming months, however, the unemployment rate will likely increase for seasonal reasons. In this context, the challenge will be to maintain the pace of job creation as labour participation rises with increased openness and the end of employment support programs.

At the sectoral level, jobs were created throughout the economy, except for construction. Job creation was driven by services, especially salaried employment linked to investment (professional activities), along with manufacturing and mining. Although the agricultural sector lost employment, job losses were less than expected based on seasonal factors.

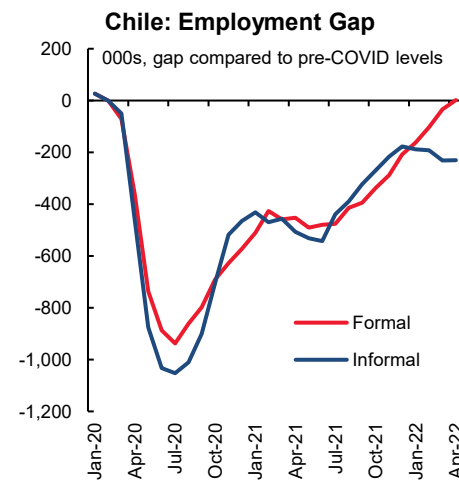
—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

May 31, 2022

PERU: THE ATTORNEY GENERAL OPENS AN INVESTIGATION ON PRESIDENT CASTILLO

It's not easy focusing on economics in Peru, as politics always seems to get in the way. Over the weekend, the Attorney General, AG (Fiscal de la Nación) Pablo Sánchez announced that he had opened an investigation into allegations of malfeasance against President Castillo. The decision came after a person under the protected witness program testified that President Castillo was using the Provías road-building program to award projects to companies that had supported his candidacy. The same witness also stated that it was his understanding that in November or December President Castillo received PEN 30,000 from a construction businessman who is also currently under investigation for malfeasance with respect to government projects.

Although President Castillo cannot be indicted while he is in office, under the new AG Sánchez, he can be investigated. Sánchez has been in office since March 20, when he replaced the former AG, Zoraida Avalos. He brought with him a change in policy. While Avalos had refused to investigate President Castillo under the argument that, as President, Castillo could not be indicted until his term ended, Sánchez has proceeded to open an investigation arguing that the Constitution mandates the AG office to investigate potential acts of criminal activity.

Though the investigation cannot lead to an indictment, it can reveal information that could conceivably lead to President Castillo being impeached by Congress. This would not be a simple matter under the current make up of Congress, however. The two previous impeachment initiatives in Congress were blocked by the left with the votes of a contingent of non-aligned members of interest groups. Both could conceivably continue to support President Castillo, as long as there is a perceived political advantage to doing so. But, then again, votes in Congress can be fickle.

—Guillermo Arbe

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