Scotiabank.

GLOBAL ECONOMICS

LATAM DAILY

February 28, 2025

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Latam Daily: Chile's Unemployment Rate Positively Surprises Expectations

CHILE: STRONG JOB CREATION AND UNEMPLOYMENT RATE DROPPING TO 8.0%

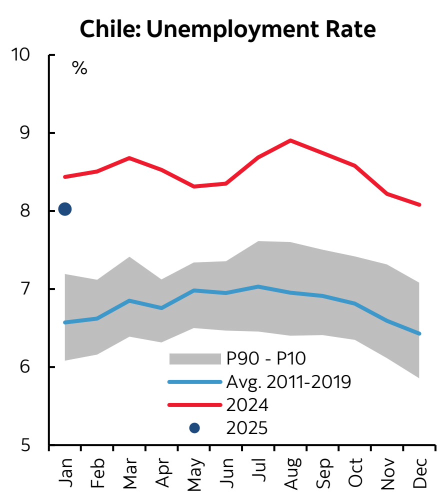
- **Good in almost everything: private salaried employment, little public employment and larger labour force, although manufacturing lagged**

This morning, INE released the unemployment rate for the quarter ending January 2025, which dropped to 8% (chart 1), positively surprising market expectations thanks to strong job creation, mainly salaried in the private sector. The economy created 88k new jobs, the highest figure in the last three years (since December 2021). For its part, the labour force increased by 89k people due, in large part, to the reduction in inactivity for study reasons. In seasonally adjusted terms, the unemployment rate fell from 8.5% to 8.3%, which according to our estimates would be driven by job creation beyond seasonal norms in sectors such as transport, commerce, restaurants and even construction.

The employment recovery was relatively broad based across all industries, with the exception of the manufacturing sector. Figures were very positive in the agriculture sector, partly due to the higher seasonal supply of employment generated in this sector. In this line, the strong job creation shown by sectors such as transportation, restaurants, commerce and construction was higher than seasonal. Additionally, the contribution of these sectors led private salaried employment to grow above its historical average for the month of January. On the negative side, there was a sharp destruction of employment in the manufacturing industry sector, which lost 37k jobs in the quarter (chart 2), the largest drop in employment affecting the sector since the pandemic.

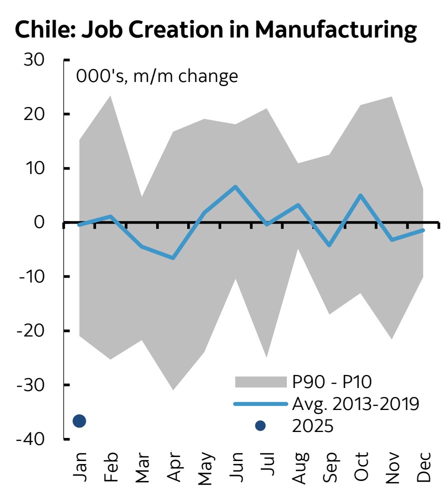
The public sector continues to reduce its share of total salaried employment. Although in January the sector contributed 5k salaried jobs, its share in this category of employment has decreased consecutively since the middle of last year. Undoubtedly, this is associated with the slowdown in the growth rate of public investment, which has been affected by the adjustments that the government has had to roll out in order to come closer to meeting fiscal targets last year. Along these lines, we anticipate that the public sector's contribution to employment in 2025 will continue to be limited, as announcements of spending cuts continue, which will also affect public investment.

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

—Aníbal Alarcón