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Latam Daily: A Solid Unemployment Rate Decline for March in Colombia

- Colombia: Unemployment rate remained at historically low levels in March, but informality is of concern

On April 30th, DANE published labour market data for March 2025. The national unemployment rate stood at 9.6%, decreasing by 1.7 ppts compared to 11.3% in March 2024, posting the lowest unemployment rate seen in a March since 2015. The urban unemployment rate decreased 1.4 ppts to 9.3% compared to 10.8% in March 2024. Seasonally adjusted, the national unemployment rate decreased to 9.1% from the previous month and remains below that one year ago 10.7%, while the urban unemployment increased at 9.1% (chart 1).

Employment is starting to reflect the economic recovery but with a destruction of formal employment. In March, 1,057 thousand jobs were created, with the most significant contribution coming from agriculture, manufacturing, housing, and food services which contributed with 71% of total. Also, construction reflects a recovery of some job losses one year ago, but it also suggests a better economic growth outlook for 2025 with the buildings sector contributing the most. However, public administration services, financial and insurance activities, and professional activities—which contribute the most to formality—offset the increase in job creation with a destruction of 272 thousand jobs (chart 2).

The three-month moving average of job creation continues with a significant acceleration. In the January to March 2025 quarter, job creation averaged 971 thousand, compared to 215 thousand in the January to March 2024 quarter, reflecting that job creation has accelerated at the beginning of 2025. With these results, the economy is moving to pre-pandemic levels with an increase in labour participation and occupation rates. However, high interest rates and the lack of investment continue to hinder greater momentum, especially in activities such as industry and construction which represent the 90% of the total investment in Colombia.

On a seasonally adjusted basis, the unemployment rate decreased compared to the previous month. The national unemployment rate decreased to 9.1% in March, while it increased in urban areas to 9.1%. The number of people outside the labour market has decreased by 138 thousand people compared with last year and was reflected in an increase in labour participation rate from 63.9% in March 2024 to 64.7% in March 2025. For now, we think labour participation will continue to recover after a drop of 0.2 ppts in

Chart 1

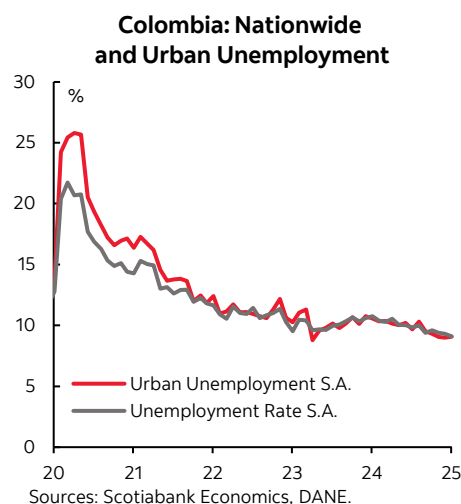
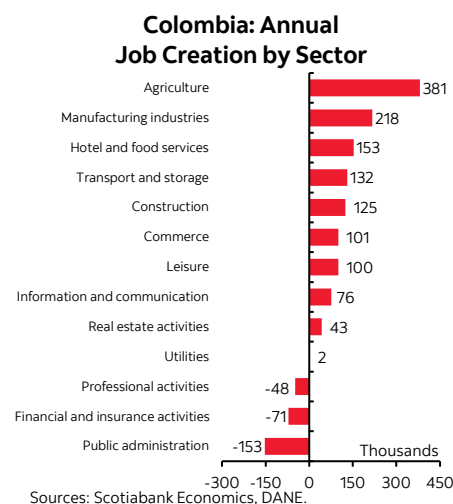


Chart 2



2024 that could be related to the historical inflow of remittances in 2024 (+17%), discouraging labour participation. In this context, the increase in occupation rate is offsetting the labour force increase in the year to date.

All in all, these results suggest that employment creation is gaining momentum but with a higher cost in informality. The sectors that lead economic activity during most of 2024 are now losing steam, mainly in formal sectors such as professional activities and financial and insurance sector, while some sectors that are starting to show stabilization signals in their production dynamics are now showing better job creation, mainly in informal occupations. For now, we expect that the annual average unemployment rate will increase from 10.2% in 2024 to 10.4% in 2025, due to a greater increase in participation levels compared to the acceleration in job creation. However, we don't rule out that unemployment may even be below what we estimate, which depends on the degree of absorption of new labour force by the economy.

Yesterday's data reduces the pressure on the central bank to continue cutting the interest rate. However, at its March meeting, BanRep decided to cut the interest rate by 25bps to 9.25%, in line with estimates from Scotiabank Economics. This decision responded to the drop in inflation expectations, but international uncertainty, domestic noise around fiscal accounts and the recent warnings from the International Monetary Fund could increase the risk premium to Colombia. For now, it will be critical to monitor upcoming macro data, especially on the inflation, inflation expectations sides.

Key information on employment data:

- **In March +1,057 thousand jobs were created, with 10 of the 13 economic sectors recording positive changes.** Job creation was concentrated in agriculture (+381 thousand), manufacturing (+218 thousand), hotel and food services (+153 thousand) and transport (+132 thousand). In contrast, the decline in public administration (-153 thousand)—mainly in public health activities—finance, and insurance activities (-71 thousand), and professional activities (-48 thousand) offset the general result.
- **Informality increased in March.** The informality rate increases significantly compared to the same period of the previous year, from 56.1% to 57.7%, indicating a worse performance domestically. The quality of employment in urban areas has deteriorated, with the informality rate rising from 41.2% in March 2024 to 43.9% in March 2025. Despite the employment improvement, the new jobs have been focused on informal sectors such as self-employed which increase by +621 thousand in this period (60% of total job creation).
- **Colombia's labour market maintains a high gender gap.** In March, the national unemployment rate for women was 12.6% and for men was 7.4%. Thus, men absorbed +543 thousand new jobs, of which +396 thousand were in self-employed workers, +97 thousand in day-labourer, +62 thousand in unpaid family worker, +54 thousand in private sector, +16 thousand in employers, and +1 thousand in domestic activities, offset by the destruction of 78 thousand jobs in public sector. The female population created +514 thousand jobs with increases in all the occupational positions, with +226 thousand in self-employed, +130 thousand in the private sector and +97 thousand in domestic activities.
- For 2025, we expect a restructuring of the labour market with improvements in the labour participation rate. **The balance will depend on the capacity of the labour market to absorb the new labour force that will be incorporated in 2025, highlighting the loss of momentum in public employment creation.**

—Valentina Guio

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