Scotiabank.

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Chile GDP and Colombia Labour Market Recap

- **Chile: June GDP of 3.1% y/y, consistent with 2025 GDP growth of 2.5%**
- **Colombia: A new strong print for Colombia's labour market**

CHILE: JUNE GDP OF 3.1% Y/Y, CONSISTENT WITH 2025 GDP GROWTH OF 2.5%

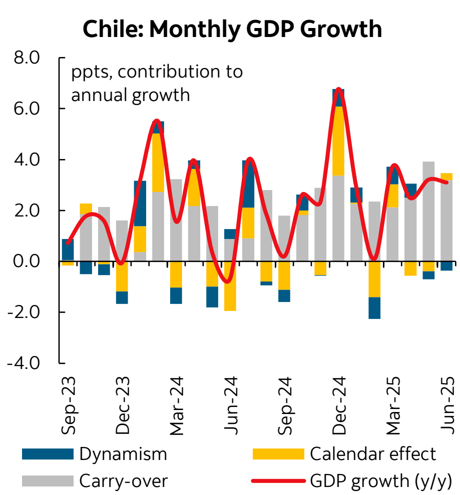
- **Non-mining GDP reaches its highest level ever, while mining activity shows unusual volatility. The output gap, measured by GDP, is closing more rapidly, while the gap measured by the labour market is widening.**

June GDP grew 3.1% y/y (chart 1), leading to a quarterly expansion of 2.9% y/y in Q2-25. The economy is clearly on track for a 2.5% GDP expansion for the year, similar to our baseline scenario. However, it is worth noting the volatility in the mining sector during the first half of the year, which was also evident in the sixth month of the year, and was responsible for the seasonally adjusted 0.4% m/m drop in overall GDP. Indeed, the non-mining GDP showed solid seasonally adjusted expansion of 0.8% m/m, reaching its highest level ever.

The positive performance across economic sectors was widespread (chart 2). Industry stood out, expanding 2.2% month-over-month, leaving behind three consecutive months of declines in economic activity. Behind this positive performance is primarily the food processing sector, especially fish processing, due to a greater quantity available for capture. This is how the industry reached its highest level of activity ever. A similar situation is observed in services. On the commerce side, after the significant impact of shopping tourism observed in the summer, which led to historically high levels of activity in the commerce sector, we see a particularly unexpected acceleration in the margin, this time driven by residents.

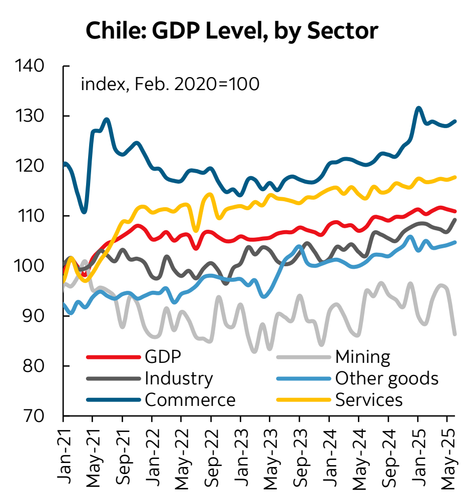
Mining showed its largest seasonally adjusted monthly decline in more than eight years, albeit due to specific factors that would reverse in the coming months, maintaining particularly high volatility in this sector. Mining GDP contracted 9.3% m/m in June, the largest drop since February 2017 (-9.9% m/m) when a strike at Escondida Mining lasted 43 days. This time, Escondida Mining again explained the contraction in mining production, but due to maintenance and, likely, the commercial strategy of the world's largest mining operation at the end of its fiscal year. The impact on year-on-year growth in GDP was significant, subtracting approximately 1.2 ppts from the year-on-year growth rate. We estimate that mining production would have returned to normal levels in July, recovering much of what was lost in June, which would contribute at least 1 pp with the highest year-

Chart 1



Sources: Scotiabank Economics, BCCh.

Chart 2



Sources: Scotiabank Economics, BCCh.

on-year GDP recorded in July. However, the volatility of the seasonally adjusted mining GDP series reached its highest level in the post-pandemic period, even higher than that seen last year after heavy rains caused flooding at some mining sites.

The output gap measured by GDP is expected to close rapidly (if not closed at the margin). The implication for monetary policy is one of additional caution in the face of a somewhat greater-than-expected acceleration in non-mining activity relative to the central bank's baseline scenario. The non-mining output gap is closing somewhat faster than expected by the central bank. This may seem contradictory given that the quarterly growth of 2.9% y/y was below the 3.1% y/y implied by the central bank's scenario. However, this is entirely due to mining, as we noted earlier. In this context, this recent activity figure injects an additional dose of caution into the cutback process, especially when non-mining activity is showing a widespread acceleration across sectors. Thus, for now, at Scotiabank, we reiterate our lower conviction regarding a further cut in the policy rate in September.

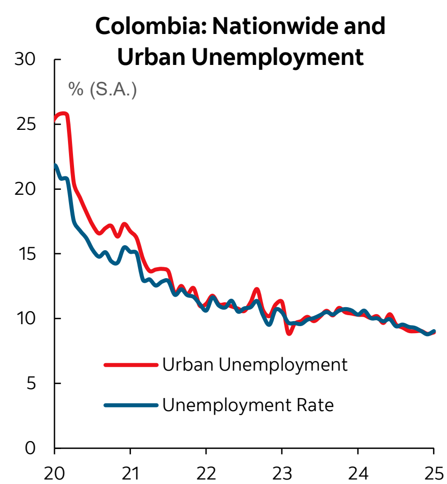
On the other hand, the capacity gap measured by the labour market sends a different message, given that the seasonally adjusted unemployment rate of 8.9% is markedly above the NAIRU (between 8.0% and 8.5%). The direct message from this perspective would be to continue cutting the policy rate. However, this lack of employment growth could be revealing a structural adjustment in the labour market, which is currently difficult for the BCCh to quantify. Ultimately, the economy is expected to show a significant increase in productivity in 2025 due to the reduction in hours worked, a decrease in employment, but historically high GDP levels.

—Aníbal Alarcón

COLOMBIA: A NEW STRONG PRINT FOR COLOMBIA'S LABOUR MARKET

On July 31st, DANE published labour market data for June 2025. The national unemployment rate stood at 8.6%, decreasing by 1.7 percentage points compared to the 10.3% recorded in June 2024 and reaching the lowest unemployment rate since 2015. The urban unemployment rate decreased by 1.8 percentage points compared to June 2024, reaching 8.3%. Seasonally adjusted, the national unemployment rate fell slightly from 9.0% the previous month to 8.9%, and below the 10.6% level recorded a year earlier. Similarly, the urban unemployment rate fell to 8.4% from the 8.9% recorded in May (chart 3).

Chart 3



Sources: Scotiabank Economics, DANE.

The recovery in economic activity continues to be reflected in increased job creation. However, we still observe a strong influence from public sector hiring on overall performance. In June, 831 thousand jobs were created, with 8 out of the 13 sectors reporting job growth. The most significant increases were seen in manufacturing, public administration, health and education, and utilities—together accounting for 84% of total job creation. By occupational category, the number of self-employed workers rose by 443 thousand, remaining notably high. However, part of this increase is linked to public sector hiring, which does not necessarily indicate a rise in informal employment.

Job creation remains robust. The three-month moving average in the original series for the April–June 2025 quarter was 713 thousand, higher than the 152 thousand created in the same period in 2024. The seasonally adjusted series shows a creation of +150 thousand jobs compared to May 2025, an increase in labour force participation to 64%, and a reduction of -46 thousand in the group of people outside the labour market. However, in urban areas, +59 thousand people left the labour market compared to May 2025.

Job creation is gaining momentum, though there is a noticeable gap between formal employment indicators and the grow of self-employment. In June 2025, self-employment increased by 443 thousand jobs, accounting for 40.8% of total employment growth. However, the informality rate declined from 56% to 55.1%, and one possible explanation is the rise in government contractors, who are classified as self-employed but formal. Looking ahead, it will be important to monitor the dynamics of the private sector in the labour market, as there are evident gaps in job creation in some sectors.

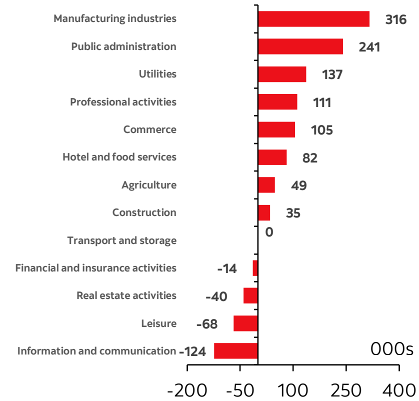
The average unemployment rate is expected to decline from 10.2% in 2024 to 9.7% in 2025, driven by a stronger increase in labour force participation and a faster pace of job creation. However, the possibility that unemployment could be lower cannot be ruled out, depending on the degree of absorption of new labour by the economy. The implementation of some aspects of the labour reform will also be a point of assessment in the coming months.

Employment data highlights:

- **In June, more than 831 thousand jobs were created, with 8 of the 13 economic sectors registering positive changes.** Job creation was concentrated in the manufacturing industry (+316 thousand), public administration (+241 thousand), utilities (+137 thousand), and commerce (+106, thousand). In contrast, the decline in information and communications (-124 thousand) and leisure (-68 thousand) offset the overall result (chart 4).
- **The informality rate decreased in June.** The informality rate decreased significantly compared to the same period last year, falling from 56% to 55.1%, suggesting an improvement in domestic working conditions, likely driven by the growth in government contractor positions. In contrast, the quality of urban employment deteriorated, and the urban informality rate fell from 41.6% in June 2024 to 42.1% in June 2025.
- **The gender gap narrowed, and the unemployment rate among women reached its lowest level.** In June, the unemployment rate for women was 10.8% and that for men was 6.9%. Women gained +491 thousand jobs, of which about 50% were concentrated in the manufacturing sector with +242 thousand positions followed by public administration with +153 thousand jobs. Men gained +340 thousand jobs, of which +117 thousand were concentrated in utilities and +88 thousand in public administration.

Chart 4

Colombia: Annual Job Creation, by Sector



Sources: Scotiabank Economics, DANE.

—Jackeline Piraján & Daniela Silva