Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Chile's Unemployment Rate Surprises Negatively

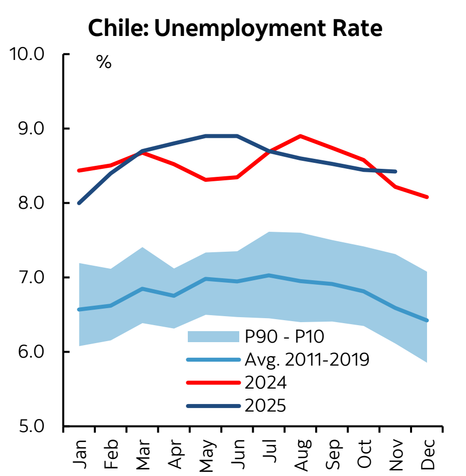
- **Chile: Unemployment rate at 8.4% signals sharp deterioration in private salaried jobs**

The unemployment rate stood at 8.4% in the quarter ending in November (chart 1), surprising negatively versus market expectations (consensus: 8.2%). This outcome reflected similar increases in employment (+15k) and labour force (+14k), both at the lower end of what is typical for November. Seasonally adjusted unemployment rose to 8.6% (chart 2), above the upper bound of the Central Bank's estimated NAIRU range, partly due to widespread deterioration in private salaried employment. Job creation was concentrated in administrative and professional activities, partially offset by weakness in commerce.

Labour costs rising amid scarce job creation. In January, the economy will face another increase in the Minimum Monthly Wage (+1.9%), adding to successive hikes over the past two years. According to the Central Bank, these adjustments have negatively impacted formal employment by around 1.5% (roughly 100k jobs) during the same period. Additionally, the Pension Reform will introduce new benefits starting January, including guarantees for contribution years and life expectancy compensation, financed partly by the employer-side contribution hike implemented in August. The Ministry of Finance estimates this measure also weighed on formal employment. Higher costs will continue to pressure jobs in 2026 with another 1pp increase in employer contributions scheduled for August.

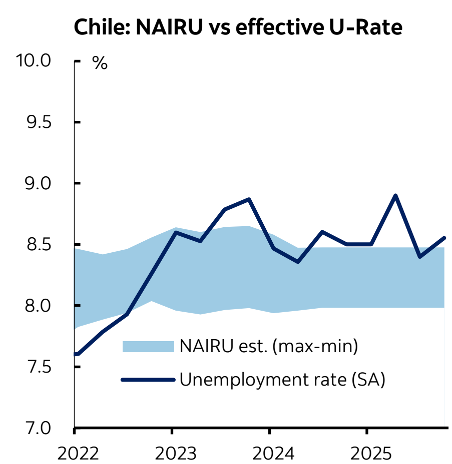
Labour market opens room for an early policy rate cut in January 2026. Seasonally adjusted unemployment unexpectedly climbed to 8.6%, above the reference unemployment rate (NAIRU), alongside zero net creation of private salaried jobs. For the Central Bank, with the policy rate currently within the neutral range (3.75–4.75%), this creates an opportunity to move directly to the midpoint. A cut ahead of the December IPoM's rate corridor—which anticipates the next move in July—could materialize if December CPI prints sharply negative at both headline and core levels, combined with the latest labour data signaling disinflationary slack. Recent peso appreciation, if sustained, would further secure rapid inflation convergence and could even push inflation markedly below 3%.

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, BCCh, INE.

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