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Latam Daily: Steady Chilean Unemployment, but Formal Jobs Remain Weak

- **Chile: Unemployment rate holds at 8.3%, supported by lower labour force participation**

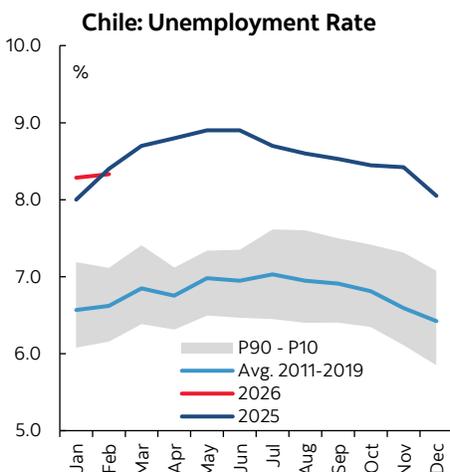
The unemployment rate stood at 8.3% in the quarter ending February, unchanged from the previous rolling quarter (chart 1). The headline figure reflects job losses of 11k, alongside a decline of 7k people in the labour force, marking the end of seven consecutive rolling quarters of net job creation. On a seasonally adjusted (SA) basis, INE data show a marginal decline in the unemployment rate to 8.5% (from 8.6%), still above the Central Bank's estimated NAIRU range (8.0–8.5%). This result was driven by a sharper contraction in the labour force (-34k SA) than in employment levels (-13k SA).

Formal job creation continues to lose momentum (chart 2). On an annual basis, formal employment increased by just 25k, the lowest rate of expansion since the pandemic period, highlighting the ongoing weakness in labour-intensive sectors such as construction. At the margin, commerce showed an employment recomposition, with a decline in salaried jobs and an increase in self-employment, while manufacturing recorded close to 14k salaried job losses.

Against a backdrop of slowing nominal wage growth and higher inflation, employment is unlikely to provide sufficient support to sustain wage bill growth and, by extension, private consumption dynamics.

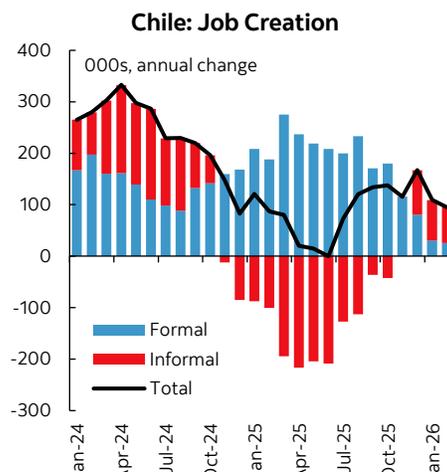
Overall, labour market conditions remain weak and, together with the negative output gap estimated by the Central Bank—with GDP growing below potential—this backdrop makes a mid-year policy rate hike unlikely, despite the expected pickup in annual inflation in the coming months.

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

—Aníbal Alarcón

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