Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Chile Loses Jobs in June, Unemployment Rate Holds at 9.4%

- **Chile: Formal employment destruction continues. June GDP likely grew 3.1% y/y, markedly above consensus**

Labour market

The unemployment rate remained at 9.4% in the quarter ending in June (chart 1), highlighting the persistent weakness of the labour market. The unchanged unemployment rate was explained by a contraction in the labour force relative to the previous quarter (-14k), broadly matching the decline in employment (-13k). In seasonally adjusted terms, the unemployment rate stood at 9.3%, confirming that labour market slack continues to widen. Overall, our assessment of the labour market remains broadly unchanged following today's release, as employment conditions remain weak and the unemployment rate stays at historically elevated levels.

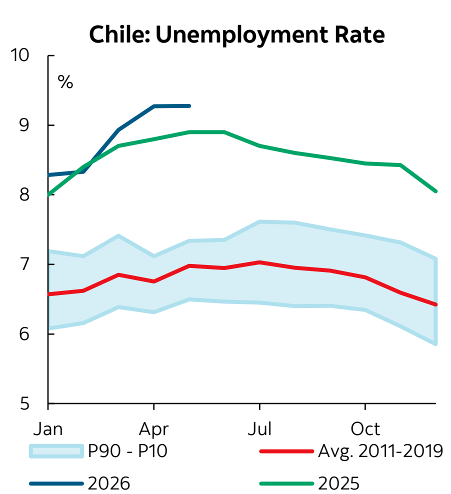
Formal employment (-33k) and private salaried employment (-62k) continued to decline over the last twelve months (chart 2). The labour market accumulated four consecutive rolling quarters of year-over-year declines in formal employment, with June showing notable job losses in sectors such as commerce and manufacturing. By employment category, the sharp year-over-year decline in formal private-sector salaried employment (-126k persons) remains concerning. This setback coincided with an increase in informal employment (+115k), driven by both informal salaried workers and informal self-employed workers, potentially reflecting a deterioration in job quality and a reallocation from formal salaried positions toward more unstable forms of labour market participation.

The positive note comes from the incipient recovery in seasonally adjusted job creation, although it remains insufficient to offset the employment destruction recorded during the first quarter of the year. While we observe a recovery in the April-June rolling quarter, it appears to be largely concentrated in the June figure. This positive monthly signal could be overshadowed in July by the potential effects of El Niño, which began affecting the central region of the country this month.

Activity

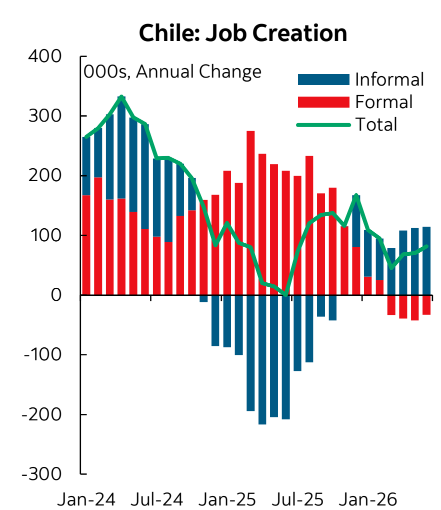
Sectoral figures showed a mixed performance, with positive surprises in commerce, particularly retail sales, but little news from manufacturing and mining. Given the favourable calendar effect in June, which had one additional business day relative to the same month last year, the underlying momentum behind these figures is likely limited and

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

does not materially alter the diagnosis of a weak domestic economy. We maintain our early estimate of June GDP growth at 3.1% y/y, well above the BCCh's economists survey consensus (1.2% y/y), although we continue to see achieving 1.5% growth in 2026 as challenging. If our monthly forecast materializes, the economy would avoid a technical recession scenario in Q2-26. This favourable June outcome would likely be followed by a cold shower in July, with activity growing close to zero year-over-year due to, among other factors, the effects of El Niño.

—Aníbal Alarcón