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GLOBAL ECONOMICS

LATAM DAILY

November 27, 2026

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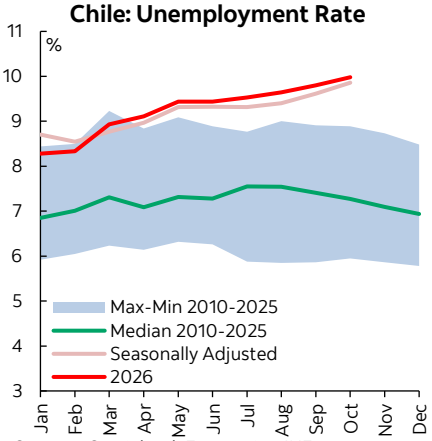
Tentative Signs of Labour Market Recovery in Chile

CHILE: LABOUR MARKET RECOVERY APPEARS TO HAVE BEGUN

- **Bad but good data: solid private salaried job creation, although more people are looking for work**

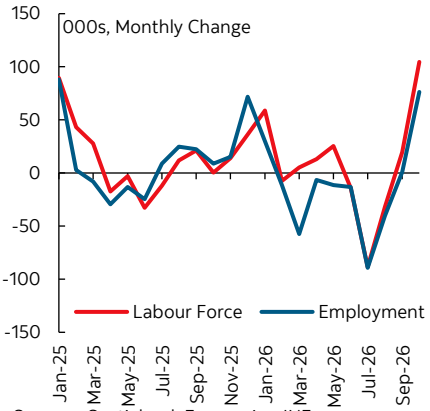
The unemployment rate rose to 10% in the rolling quarter ending in October (9.9% SA) despite solid job creation, which was overshadowed by higher labour force participation, surprising expectations of a 9.8% rate (chart 1). However, the headline unemployment rate masks the start of job creation. The unemployment rate will fall significantly in the coming months, helped by seasonality, but also by a genuine recovery in total employment, which is already visible in September and October.

Chart 1



Sources: Scotiabank Economics, INE.

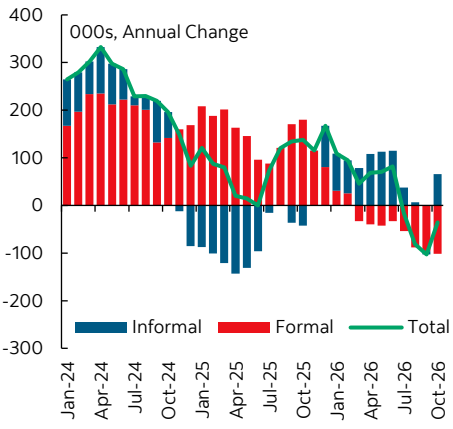
Chart 2



Sources: Scotiabank Economics, INE.

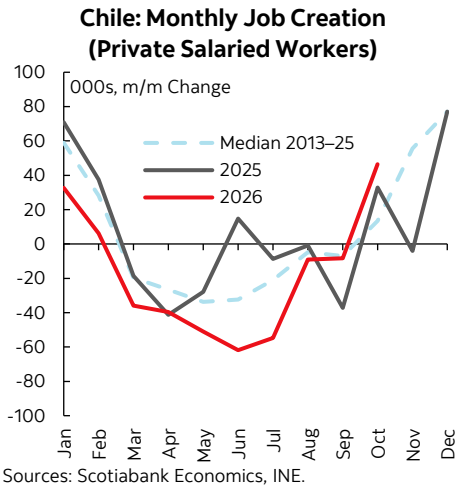
High unemployment rate, but benign employment composition. Job creation reached 76k, a record high for the month, while the labour force increased by 105k (chart 2), well above its seasonal pattern. Salaried job creation in education, transport and agriculture stands out, along with a rebound even in informal employment. In this vein, we estimate that job creation in the rolling quarter ending in November could exceed the current figure, supported by the positive figures reported by INE for September and October. The decline in the unemployment rate in the coming months could be very significant provided that the labour force does not show strong dynamism.

Chart 3



Sources: Scotiabank Economics, INE.

Chart 4



Sources: Scotiabank Economics, INE.

Informal job creation supports the labour market. On a y/y basis, 66k jobs were created in informal sectors and firms, which prevented the decline in total employment from deepening further in the face of persistent destruction of formal jobs (chart 3). By category, this is consistent with the creation of 107k self-employment jobs, concentrated in transport, manufacturing and education. Although informal employment and self-employment have contributed positively to annual job creation during almost the whole year, the level of employment continues to show some lag relative to the pre-pandemic historical trend.

By sector, salaried job creation in education, agriculture and transport stands out, along with the recovery in manufacturing. Regarding the latter, although the month's seasonality favoured an increase in employment, the October figure is at the upper end of its historical range, after four months of employment decline in this sector (chart 4).

—Aníbal Alarcón

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