

## LATAM Market Update

- **Chile: Monthly GDP around 2.0% YoY (0% m/m) in April**
- **Colombia: April's employment data came out**

### CHILE: MONTHLY GDP AROUND 2.0% YOY (0% M/M) IN APRIL

Manufacturing was the low performer at sectoral level in April. We were forecasting an expansion of 1.0% YoY (consensus 0.3% YoY), but Manufacturing Production contracted 1.4% YoY influenced by Food Products that contracted 4.5% YoY explained by supply shocks coming from agriculture (dried fruits and legumes), and not related to demand.

Mining had shown a quite poor performance at the beginning of the year, and we finally observed some recovery (+2.6% YoY). During March we already detected some minor acceleration, but April is confirming that Mining will at least not subtract to GDP growth as was the case during 1Q19. Seasonally adjusted, Mining expanded 3.8% m/m which is a good performance considering the challenging external scenario.

Retail Sales on negative territory again (Scotiabank -1.6% YoY). Retail sales will be released next Monday, and we forecast a negative print for April explained by deceleration in Supermarket Sales (ISUP) and other non-durable goods. The consumption of durables goods will have to absorb a negative incidence from a new drop in car sales (-9% YoY). We anticipate a contraction of 4% in car sales in 2019.

Resilience in consumption of services has probably remained during the second quarter. The good news will continue coming from the consumption of services. During 1Q19 this component of the internal demand expanded 5.0% YoY showing not only resilience but also some acceleration with respect to the previous quarter.

Overall, we continue anticipating a monthly GDP (IMACEC) between 1.75% and 2.25% YoY in April (0% m/m), which we estimate consistent with a second quarter around 2.3% YoY, slightly better than the expansion observed in 1Q (1.6% YoY).

Unemployment rate maintains in 6.9% in April, at maximums for the period 2011-2019, due to a greater dynamism of the labour force. However, employment growth remains solid, mainly in self-employment. Minor differences with respect to previous report, confirming that the job destruction in private sector (wage-earners) would have concluded. Private wage-earners employment continues with a tenuous growth, confirming that the economy is not dynamic enough with large output-gap closing at a low speed.

The good news again is coming from public employment associated with an acceleration of countercyclical public spending. The greatest creation of public jobs is observed in Public Administration and Health. Good prints come from Construction and Mining, where the greatest dynamism of investment is observed. Hence, Manufacturing shows a rebound, after seven months of job destruction. On the other hand, Trade sector deepens its job destruction trend (wage-earners).

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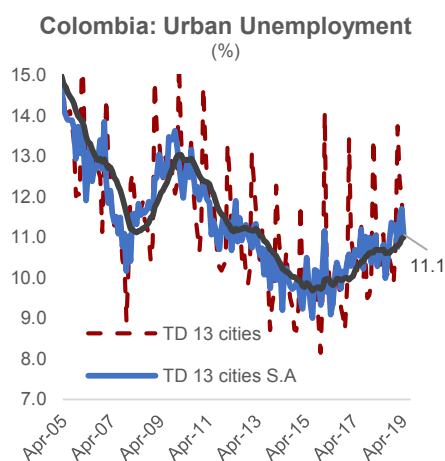
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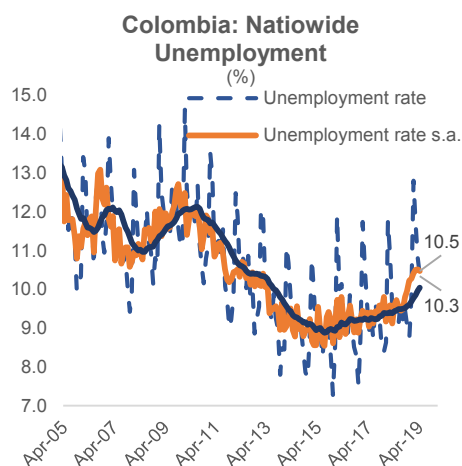
## COLOMBIA: APRIL'S EMPLOYMENT DATA CAME OUT

Unemployment deteriorated in April, again, for both, nationwide and urban measures. In fact Nationwide unemployment came in at 10.3% (Apr-18 was 9.5%), while urban unemployment (13 cities) came in at 11.1% (Apr-18, 10.7%). Unemployment data have strong seasonality, therefore it is better to analyze seasonal adjusted series. This measure showed a flattish behaviour for nationwide and improved for the urban figure (10.5% vs 10.5% in March-19 for Nationwide 11.1% vs 11.7% in March-19 for Urban). April unemployment continued decoupled from domestic demand recovery seen in 1Q19 and other coincident indicators as retail sales, energy demand and capital imports. Having said that, it is worth to note that formal employment growth continued positive. In fact wage employment grew 2.7% y/y in April (44% of total employment force) while self-employment (46% of total employment force) fell 4.1% y/y. This dynamic let us to anticipate an improvement in labour quality and in the end better employment data. We continue thinking that recent deterioration in employment data has its main reason in a one-off event as Venezuelan immigration that increased labour force in around 700k people.

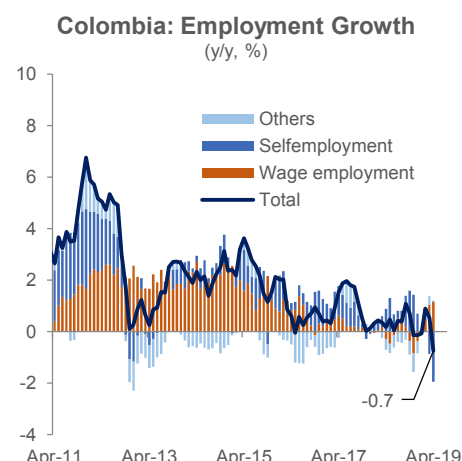
On monetary policy, weaker employment data support our call that BanRep will not hike the monetary policy rate (MPR) in 1H19 to boost economic activity, and will wait the initial data on 2019 GDP.



Sources: DANE, Scotiabank.



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