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Latam Daily: In Chile, February Imacec Contracted 0.5% y/y

- Chile: Resilience of trade and services in line with the greater dynamism of the public sector

CHILE: RESILIENCE OF TRADE AND SERVICES IN LINE WITH THE GREATER DYNAMISM OF THE PUBLIC SECTOR

On Monday, April 3, the central bank (BCCh) released the February Imacec, which fell 0.5% y/y, slightly below market and survey expectations (consensus: 0% y/y; Economic Expectations Survey: -0.2% y/y), resuming the negative growth rates seen since late 2022. With respect to the previous month, the Imacec contracted 0.3% m/m, mainly due to the drop in mining activity (-3.1% m/m), as non-mining sectors expanded 0.1% m/m. These results confirm that the slowdown in the economy continues to be very mild, providing a positive start to the year for economic activity.

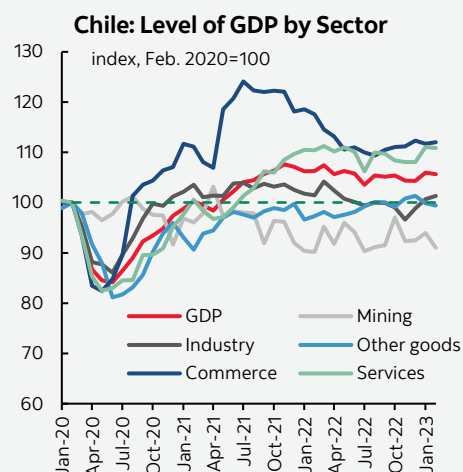
Stable non-mining Imacec, with declines in services and goods productions (chart 1). Trade grew 0.3% m/m in the context of lower liquidity levels, focused fiscal support and a labour market with difficulties in creating formal jobs in the private sector. We estimate that the resilience shown by this sector in recent months was sustained by the Universal Guaranteed Pension (PGU), reaching full coverage from the Q4-2022, and by the acceleration of public spending, which has allowed the creation of salaried jobs in the public sector. The dynamism of this sector over the coming months will depend mainly on the private sector's capacity to create jobs.

Resilience of services, with a slight drop in February. Services contracted 0.2% m/m, although they have grown slightly (0.1%) on average over the last six months. We believe that the resilience of services would also be linked to the acceleration of fiscal spending observed in recent months, which would be contributing positively to healthcare, education and/or personal services. Going forward, private investment will be responsible for sustaining the level of services GDP, which could come through business services. In the absence of greater private dynamism, the risk that these sectors will begin to show weakness increases.

Structural weakness remains in the mining sector. The mining GDP contracted 3.1% m/m in February, further depressing the sector, which has not been able to recover its pre-pandemic GDP level. In our view, the lower ore grades, the negative effect of the drought and the absence of new investment projects (excluding those related to capital replacement and continuity of operations) do not allow us to anticipate a positive contribution from this sector for the year.

—Aníbal Alarcón

Chart 1



Sources: Scotiabank Economics, BCCh.

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