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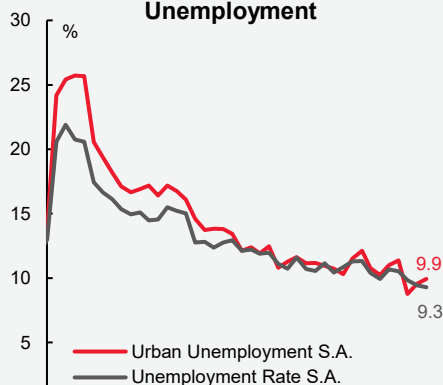
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Chart 1

Colombia: Nationwide and Urban Unemployment



Sources: Scotiabank Economics, DANE.

Latam Daily: Colombia's Unemployment Rate Falls in August

Colombia: A surprising drop in the unemployment rate for August

On September 29th, the National Statistics Department (DANE) released the labour market figures for the month of August. The national unemployment rate not only remained in single digits, but also fell from the previous month to 9.3%, while the urban unemployment rate fell to 9.6%. These results, along with those recorded in June, are the lowest national totals since August 2016. Meanwhile, the employment rate stood at 58.5% in August 2023, an increase of 1.7 percentage points compared to the same month in 2022 (56.7%).

The seasonally adjusted monthly figures continued their downward trend, as the seasonally adjusted (SA) national unemployment rate reached 9.3%, the lowest since April 2018, while the seasonally adjusted urban unemployment rate was 9.9%, a deterioration of 40 b.p. m/m, but still in single digits (chart 1).

The labour market results for August continue to show good performance, with resilient job creation, while the unemployment rate remains at historically low levels. This will be a factor that BanRep will take into account at the September 29th meeting and will reinforce our call for rate stability in forthcoming months.

Key information on employment data:

- In August, the female unemployment rate was 11.8%, down slightly from 11.9% in July. Meanwhile, the male unemployment rate decreased from 7.9% in July to 7.4% in August. Taking into account the above, the gender gap deteriorated slightly from 4 pp in July to 4.3 pp in August.
- On an annual basis, the number of people employed showed a positive trend, with another +1 million new jobs created (chart 2). Compared to August 2022, the female population added +509 thousand jobs, representing 50.8% of total job creation, while the male population added +492 thousand jobs, representing around 49.1% of total job creation.
- In terms of sectors, around 50% of total job creation in August was concentrated in three sectors: the manufacturing sector, with a contribution of 0.9 percentage points and the creation of +206 thousand new jobs year-on-year. In second place were public administration and defense, education, and health services, which added +184 thousand new jobs and contributed 0.8pp to the total. Followed by the agriculture sector, which added +178 thousand new jobs, contributing 0.8pp to the total, while the accommodation and food services sector added +167 thousand jobs and a contribution of 0.8pp. On the other hand, the commerce and repair of motor vehicles and motorcycles lost 139 thousand jobs and contributed -0.6 pp, as this sector was among those that deteriorated due to lower domestic demand for durable and semi-durable goods. Similarly, the public services and construction sectors recorded decreases of -75 thousand and -51 thousand respectively, with negative contributions of -0.3 pp and -0.2 pp.
- In terms of the occupational position, the category of private employees (proxy of formality) contributed +495 thousand jobs to the total job creation, which corresponds to 43% of the total job creation (+1 million). It was followed by the occupational position of the self-employed, which contributed +196 thousand jobs (41.7% of those employed). In terms of gender, the greatest job creation for women was in the position of private employee (+333 thousand), while for men it was mainly

October 2, 2023

in the positions of self-employed (+169 thousand), private employee (+162 thousand) and day labourer (+111).

- The share of informality decreased by 1.4 percentage points on an annual basis, standing at 55.9% compared to 57.4% in August 2022. Formal employment added +761 thousand jobs, while informal job creation was +240 thousand. In urban areas, the informality rate improved from 42.1% in August 2022 to 40.9% in August 2023.

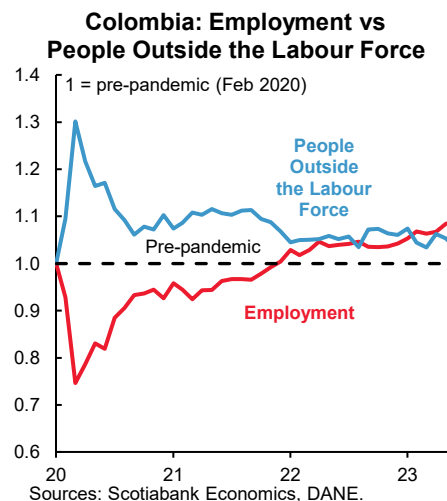
Concluding remarks

The labour market results for August showed very good job creation and improvements in formality, not only thanks to public sector hiring. Employment growth in August was concentrated in the manufacturing and services sectors, while a deterioration was observed in the commerce and construction sectors, which is associated with lower household demand for durable and semi-durable goods.

The strength of the labour market will continue to be a carefully evaluated indicator by BanRep and confirms our expectation of stability in interest rates. However, although the economy is on a path of moderation, it is not materially affecting employment and therefore we believe that BanRep will wait for the next inflation data and economic activity before deciding to start the easing cycle.

—Sergio Olarte, Jackeline Piraján & Santiago Moreno

Chart 2



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