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Latam Daily: Chile's IMACEC; Colombia's Unemployment; Peru's Impeachment Watch

- **Chile: IMACEC expanded 9% y/y, with a slight drop of 0.5% m/m in non-mining activities**
- **Colombia: January unemployment rate at 14.6% as services sector continues to lead gains**
- **Peru: To impeach or not to impeach, that is the question... yet again**

CHILE: IMACEC EXPANDED 9% Y/Y, WITH A SLIGHT DROP OF 0.5% M/M IN NON-MINING ACTIVITIES

Smooth deceleration in economic activity, resilient investment.

On Tuesday, March 1, the central bank (BCCh) released the Imacec for January, which grew 9.0% y/y, slightly below market expectations (Economic Expectations Survey: 9.3%; Bloomberg: 10.7%) and Scotiabank's (11%). The health and business services sectors made the largest contributions to Imacec's year-on-year growth, followed far behind by commerce. The dynamism of business services reflects the resilience of private investment as shown by imports of capital goods and the continued execution of important projects despite political uncertainty.

Imacec's seasonally adjusted series shows a drop of 1% m/m in January, which confirms a smooth deceleration of activity (chart 1). Indeed, in seasonally adjusted terms, the growth of 1.3% m/m in services stood out, coming on top of several months of expansion (chart 2). Although a gradual slowdown in trade (-3.2% m/m) was observed, households are likely cushioning the decline in fiscal transfers by building up liquidity in checking accounts (USD 17 bn as of January 2022). Looking ahead, the start of the Universal Guaranteed Pension payments in February, which provides resources to age groups with a high propensity to consume, should help fuel spending.

In contrast, goods production registered the largest monthly drop since June 2020 (-2.4% m/m), likely owing to weakness in the construction sector, which is inconsistent with the relaxation of pandemic restrictions. Recall that in mid-2020 the entire economy was in lockdown and construction with strict operational measures was practically paralyzed. Restrictions are now more focused, and the construction sector is operating more normally. All in all, the non-mining sector showed a fall of 0.5% m/m, below what was observed in previous years, showing a slowdown that, for now, would be limited.

Chart 1

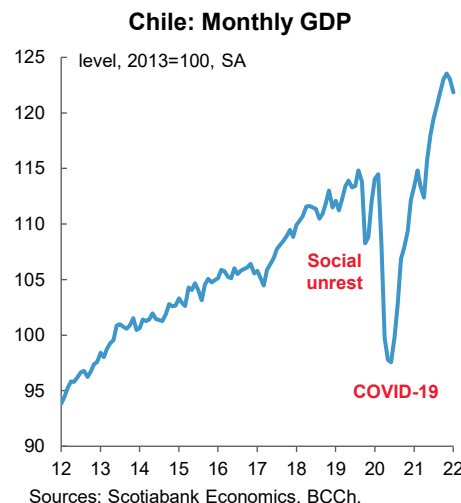
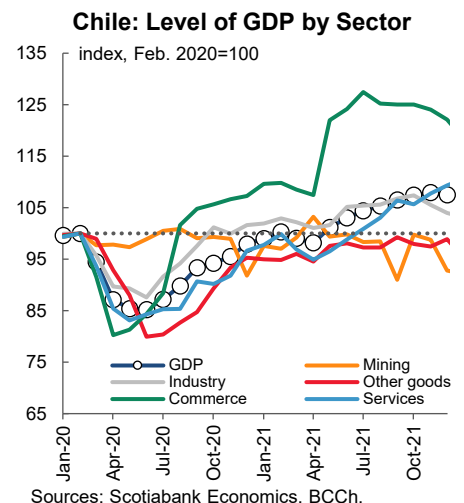


Chart 2



The mining sector, which contracted 0.8% m/m and contributed 0.3 percentage points to the m/m fall of the Imacec, had a greater than usual share in total activity, an abnormality that could be linked to the base-level effects generated by the pandemic. More details will be known with the publication of the national accounts on March 18. In any event, the drop in the mining Imacec showed a dynamic like that reported by the statistical agency (INE) in terms of production, confirming the drop in the level observed in December.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

COLOMBIA: JANUARY UNEMPLOYMENT RATE AT 14.6% AS SERVICES SECTOR CONTINUES TO LEAD GAINS

Employment data for January, released on Monday, February 28, showed the nationwide unemployment rate at 14.6%, while the urban unemployment (major cities) was 14.8% (chart 3). Both measures were lower than the 2021 levels of 17.5% and 19.4%, respectively. Services sectors remained the main contributors to the employment gains, a trend that is expected to continue as the economy returns to normality.

Because the national statistical agency, DANE, also presented an update in the methodology of population statistics, seasonally adjusted statistics are not available to compare marginal improvements.

Despite the increase in COVID-19 cases in January, major cities operated without substantial restrictions. In this respect, services sectors performed better compared with one year ago. In January, the economically-active population stood around 20.7 million people, while the pre-pandemic average was 22.2 million, pointing to the fact that there is still a gap to close.

From a sectoral perspective, two-thirds of employment creation (1.58 million jobs) was concentrated in four sectors: commerce (+348 thousand), professional activities (+262 thousand), manufacturing (+232 thousand), and transport (+191 thousand). Agriculture was the only sector recording a contraction in employment, with 250 thousand jobs lost.

In terms of job quality, informal jobs accounted for 43.9% of total employment, down from January 2021 (47.4%), while the improvement in job quality was greater for urban areas, with the share of informal jobs falling from 46.2% one year ago to 42.5% in January 2022. However, self-employment continues to lead the gains in terms of job creation, accounting for 70% of new jobs. In terms of the gender gap, male unemployment stood at 11.2% in January as compared to 14.5 in January 2021, while female unemployment stood at 19.4% (21.4%). We expect the gaps to continue closing as in-person activities consolidate.

Summing up, January's employment data posted positive results, especially in services sectors while jobs losses in agriculture continued. However, employment still lags the recovery and the active population remains 3.5% lower than the pre-pandemic level. Going forward, monitoring the evolution of the labour market in terms of job quality is key.

—Sergio Olarte & Jackeline Piraján

PERU: TO IMPEACH OR NOT TO IMPEACH, THAT IS THE QUESTION... YET AGAIN

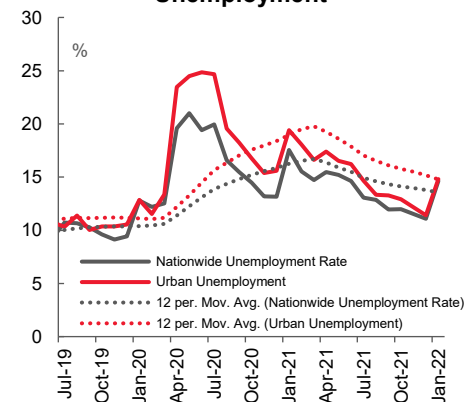
Talk of the impeachment of President Pedro Castillo is once again making the rounds in Congress, after statements made by a local businesswoman, Karelím López, accusing President Castillo of participating in acts of corruption were reported in the press. Meanwhile, the Minister of Transportation Juan Silva resigned late last night, a decision precipitated by the revelations made by López.

Karelím López, who is seeking to become part of the protected witness program, made the statements on February 18 to prosecuting attorneys that are investigating President Castillo's possible involvement in improperly awarding tenders using State funds. The statements were reported by the press on Sunday, February 27. López stated that President Castillo, together with the Minister of Transportation, Juan Silva, the Minister of Housing, Geiner Alvarado, and of four members of Congress for taking part in the improper awarding of State contracts and tenders. López stated that President Castillo and Transportation Minister Silva would have participated directly in awarding tenders.

Immediately, opposition party leaders began calling for the impeachment of President Castillo. At the same time, Congress began debating the impeachment of Transportation Minister Silva. Before a decision could be made, Minister Silva resigned.

Chart 3

Colombia: Nationwide and Urban Unemployment



Sources: Scotiabank Economics, DANE.

March 1, 2022

Government officials, including President Castillo, have countered by indicating that the fact that the statements made by López in confidence were leaked implies that the attorney general's office was conspiring with opposition politicians to bring the Castillo Government down.

At the time of this writing, motions to impeach are reportedly being prepared and could conceivably be introduced to the congressional agenda soon. The elements that would support an impeachment are significant, and increase the chances, but do not ensure, that Congress could vote to impeach. It is, in particular, not clear how the different interest groups within in Congress would vote. Minister Silva's resignation is likely to have been decided by President Castillo himself (Minister Silva had earlier said he would not resign) as a way to appease Congress and avoid the impeachment process. A lot will depend on who will be designated to replace Silva, as paucity in the criteria in Cabinet designations is one of the reasons that President Castillo is under fire. At the same time, the vote of confidence for the Anibal Torres Cabinet is still pending. It is scheduled for March 8.

—Guillermo Arbe

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