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Latam Daily: Mexico's Narrowing Trade Deficit; Chile Unemployment Climbs to 8%

- **Chile: Unemployment rate climbs to 8%**

The week is kicking off with a risk-positive mood as markets unwind some of Friday's moves after stronger than expected US PCE inflation. SPX futures are up 0.4% while crude oil is flat to a touch weaker against a sizable decline in iron ore (3%)—after Chinese authorities mandated a reduction in steel production on pollution grounds. Copper, on the other hand, is up close to 1% but that's merely retracing a fraction of its 6% decline from Wednesday's high to Friday's close.

The USD is broadly weaker, with the MXN outperforming among the majors (up 0.3%). The Mexican peso is nearing its trading levels (~18.30 per USD) prior to last Thursday's minor inflation miss and Banxico's meeting minutes that point to a quarter-point hike at the March decision (after a 50bps hike in February). Meanwhile, the BRL and CLP are unchanged at writing, the latter after closing out the week on the backfoot.

Mexican January international data published this morning showed a large deficit for the month, as is common at the start of the year, of USD4.13bn that compares to its all-time peak of USD6.3bn twelve months prior and +USD984mn in December. With today's print, Mexico's international goods trade balance has narrowed to its lowest level since last May on a twelve-month-rolling basis amid a deceleration in imports growth that has underperformed exports growth in four of the past five months.

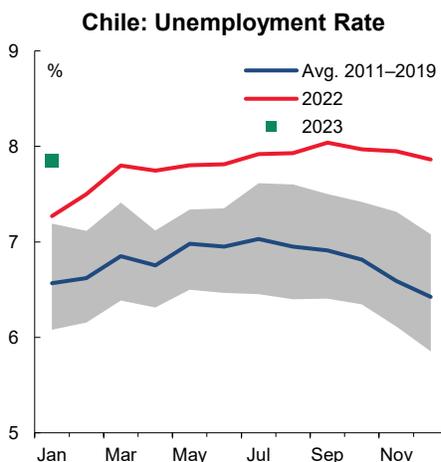
The rest of the Latam day ahead is quiet aside from Pemex's Q4 results this afternoon while global markets focus on the release of US durable goods data at 8.30ET for signs of strong domestic demand.

—Juan Manuel Herrera

CHILE: UNEMPLOYMENT RATE CLIMBS TO 8%

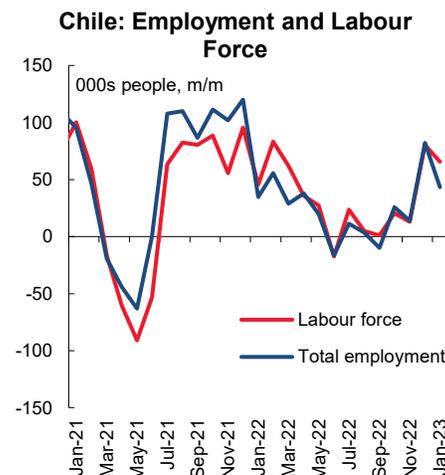
This morning, the statistical agency (INE) released unemployment data for the quarter ending in January 2023 showing a slight increase in Chile's jobless rate to 8.0% from 7.9, in line with our forecast (chart 1). The labour force grew 0.7% m/m, while employment expanded 0.5% in the same period. On net, 43k jobs were created, or roughly half of the increase of 82k in December which compares to a 66k increase in the labour force (after an 80k rise to close out 2022, chart 2).

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

February 27, 2023

In January, 40k formal jobs were created compared to the previous month vs an unchanged level of informal jobs. The INE reported that gains in employment were driven by food and accommodation, transportation, and agriculture.

—Aníbal Alarcón

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