



Economic Activity Observatory

February 27th, 2009

Carola Moreno
cmoreno@bbva.cl
 Alejandro Puente
apuente@bbva.cl

Employment downturn in January 2009

- Surprise caused by the slowdown of employment above expectations with an unemployment rate reaching 8% in the Nov.-Jan. quarter (against 7.5% in Oct.-Dec).
- Industrial Production reported its worst fall since 2002: -8.9% y-o-y.
- We reduced our IMACEC (Monthly Economic Activity Indicator) estimates for January down to -0.5% (against 0%).

Bad news is still rolling on. **Industrial Production** reported its worst fall since 2002, -8.9% y-o-y according to INE (National Statistics Institute) (-10% according to Sofofa, Manufacturing Union Federation), mainly due to the reduced production of copper and its by-products. Likewise, manufacturing sales dropped 9.4%. Based on each type of goods and their individual impact, intermediate consumer goods delivered the worst results (-6.51 percentage points), followed by regular consumer products (-1.6 pp), durable goods (-0.58 pp) and capital goods (-0.2 pp).

The **retail sales index**, despite growing 1.2%, mirrors a slowdown in the economy. Textile sales had a positive impact (1.5 pp), while durable goods reported a drop of 9.5%, the worst in the past three years, bringing the indicator down by 1.76 pp. Non-durable goods, in turn, rose 3.6%.

News in the **labour market**, on the other hand, are also discouraging. The employment rate fell by 0.5% y-o-y while the labour force grew 1.4% y-o-y, well below the 3% average of previous months. Thus, the unemployment rate went up 0.8 percentage points in twelve months reaching 8%. Another significant sign of the short-term dynamics is the 0.5 pp increase vis-à-vis the October-December quarters, with a strong rise of unemployment in January. At sector level, also with regard to the previous quarter, employment only grew in the following areas: agriculture (3.3%), electricity and water (1.6%) and transport (2.3%), falling in all others and reporting a significant shrink in mining (-7.1%).

Although we had anticipated the deterioration of the economic activity and employment indicators, the decline was worse than expected. Thus, we rectify IMACEC's January estimate to a lower figure: from 0% down to -0.5%.

Growth Rates (y/y % chg.)								
February 27, 2009	2008							2009
	1Q	2Q	3Q	Oct	Nov	Dec	4Q	Jan
Industrial Production	3.0	0.4	1.2	-0.8	-5.7	-3.7	-3.4	-8.9
Industrial Sales	2.1	0.3	0.2	-3.9	-6.6	-5.5	-5.4	-9.4
Retail Sales	7.0	7.5	7.2	3.7	0.4	-1.0	1.0	1.2
Mining Production	-1.5	-5.0	-6.7	-7.9	-5.7	-9.2	-7.6	-3.6
Exports	14.7	0.3	1.9	-13.3	-20.7	-25.5	-19.9	-42.4
Imports	40.6	44.4	44.1	22.3	-15.5	-3.9	1.0	-27.6
Total Employment	3.2	2.6	3.8	3.8	3.4	2.6	3.3	0.5
- Payroll	6.2	5.3	5.5	5.6	4.6	3.8	4.7	1.9
- Independent	-3.1	-3.5	0.7	1.4	1.8	0.6	1.3	-2.3
Unemployment Rate	7.4	8.0	8.1	7.5	7.5	7.5	7.5	8.0
Imacec	3.5	4.6	4.8	2.7	0.1	0.5	1.1	-0.5