



# Observatorio Actividad

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## June 2009: The first green shoots

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- Industrial output shows improvement over May, although with a major y-o-y decline.
- Labor market confirms deterioration signs: Unemployment rate reaches 10.7%.
- We are keeping our IMACEC (Monthly Economic Activity Indicator) estimate for June at -4.2%, meaning GDP for the second quarter of 2009 will contract by -4.4% year-on-year.
- The Central Bank is set to keep the Monetary Policy Rate at 0.5% at its August meeting, although it could intensify non-conventional measures to reinforce monetary stimulus.

The international trade data for June anticipated a slight margin improvement, but the data released today by the National Institute of Statistics shows for the first time since 2008 a slowdown in the pace of decrease in industrial production. Firstly, the decline recorded over twelve months is below expectations (-8.3% vs. -9.6% BBVA) and below that of previous months. Secondly, once seasonally-adjusted, there is a 0.5% increase with regard to May 2009 which, although a slight improvement (and imprecise due to how it is estimated), is an initial sign that the worst may be behind us. Industries that showed a negative incidence in this result are, once again, salmon (ISA virus), wood and cement, the latter two due to weak demand. Industrial sales, on the other hand, decreased in line with expectations (-6.6% vs. -6.5% BBVA) with no changes in the margin.

In turn, mining output once again records a year-on-year drop similar to that of the previous month and above expectations (-2.4% vs. -1.8% BBVA) but a 1.9% increase over May. In turn, although electricity generation fell 3.2% year-on-year, it also recorded positive movement over May, this being the second consecutive month with margin improvements. Another indirect sign of business improvement is seen in housing permits which saw a 16.5% increase year-on-year. Lastly, commerce indicators continue to be mixed, with improvements at supermarkets and major falls in retail. No improvement has yet been seen in durable goods (-15% year-on).

The labor market continues to show signs of deterioration, although also in line with expectations. The April-June quarterly jobless rate hit 10.7% which is explained by a 1% drop in total employment and a 1.5% increase in the workforce. Once again, salaried employment saw the highest negative impact falling by 2.2%. Seasonally-adjusted total employment shows a similar level to the previous quarter but not salaried employment (-0.5% quarter-on-quarter).

Credit also shows margin improvements: flows have increased across all segments (except housing) in line with the gradual stabilization in credit approval conditions (BCCh survey, 2Q 2009).

We are maintaining the estimate for the June IMACEC variation at -4.2%. In turn, we expect the Monetary Policy Rate to remain at its present 0.5% level, although the Central Bank could intensify non-conventional measures to reinforce monetary stimulus.

Growth (Var. % y/y)	2008						
	2009						
30-Jul-09	Dec	Jan	Feb	Mar	Apr	May	Jun
Industrial output	-3.7	-9.0	-11.5	-7.1	-11.1	-10.5	-8.3
Industrial sales	-5.5	-9.5	-11.6	-8.3	-10.2	-8.1	-6.6
Retail sales	-1.0	1.1	-3.1	-3.4	-5.2	-1.6	-4.7
Supermarket Sales	-4.2	3.8	-1.2	-1.1	4.5	6.2	3.3
Mining output	-9.1	-3.8	-10.3	-6.2	-0.7	-2.3	-2.4
Electricity output	1.1	-0.8	-5.0	2.9	1.0	-1.2	-3.2
Total employment	2.6	0.5	0.1	-0.5	-0.5	-0.9	-1.0
- Employees	3.8	1.9	0.9	-0.2	-0.9	-1.1	-2.2
- Self-employed	0.6	-2.3	-1.1	-0.3	2.0	2.1	5.0
Unemployment rate	7.5	8.0	8.5	9.2	9.8	10.2	10.7
Imacec (monthly econ. activity indic.)	-0.2	-2.1	-3.7	-0.7	-4.6	-4.4	-4.2

source: INE, BCCh and BBVA