

One million jobs created in April, but the unemployment rate moved higher

- **Unemployment rate (April; nsa): 4.65%; Banorte: 4.27%; consensus: 4.20% (range: 3.80% to 4.58%); previous: 3.89%**
- **Part-time workers: 13.7% (previous: 13.2%); Participation rate: 59.1% (previous: 57.2%)**
- **In the month, one million jobs were created, accelerating relative to the previous month. With this, 903.3 thousand jobs are still left to recover relative to February 2020, before the pandemic shock**
- **In addition, 1.5 million workers returned to the labor force, of which 496.3 thousand did so as unemployed. This helps explain the significant increase in the unemployment rate. In our view, this suggests that better conditions regarding COVID-19, with more people are searching for a job**
- **As a result, the participation rate increased strongly. In contrast, the part-time rate went up, against our expectations of an additional improvement given fewer restrictions on activity**
- **Moreover, the period's seasonality is adverse. Considering this and all factors mentioned above, with seasonally adjusted figures, the unemployment rate increased to 4.65% from 4.50% in March**
- **Job gains in the formal sector were at 1.1 million, with 65.4 thousand less in informality. Therefore, the informality rate fell to 55.6% from 56.8% in March**
- **Average hourly wages reached \$46.61, above the \$44.44 seen in March. This represents a 22.1% y/y contraction, albeit heavily distorted by a base effect because of the pandemic**
- **We reiterate our call that the recovery will keep supporting employment gains. In the short-term, we warn about headwinds on industry amid shortages of raw materials**

Strong sequential increase of the unemployment rate in April. Using original figures, it stood at 4.65% (chart below, left), strongly above consensus (4.20%) and our 4.27%. With this move, the rate stands at its highest since October 2020. Nevertheless, some precisions must be made, which suggest that this increase is not as weak as initially portrayed. First, we think that the effects of the pandemic are still distorting figures. In this respect, the labor force surged by 1.5 million workers, which is very high relative to historical averages. From this, 1.0 million people did so with a job, while 496.3 thousand were catalogued as unemployed. In our view, this was mainly driven by better conditions regarding COVID-19, inducing more people to feel that prospects to find a job have improved, therefore searching for one, which is positive relative to the recent backdrop. Second, the period usually sees a relevant upward adjustment relative to March, mainly on seasonal factors.

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www.banorte.com
@analisis_fundam

Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

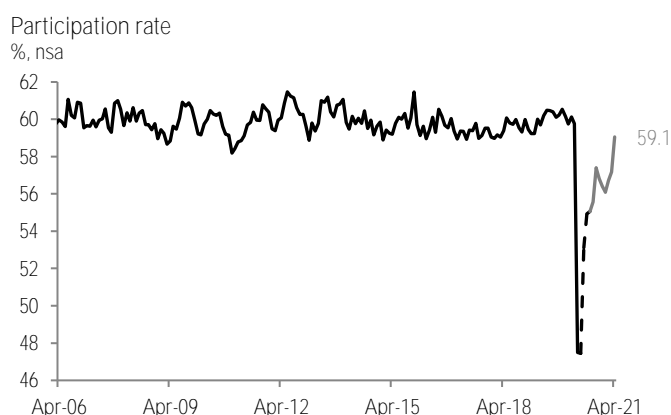
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In our view, this is related to the full reversal of distortions at the turn of the year (related to temporary workers and other processes) and workforce adjustments due to the Easter holiday (likely hiring in March and some losses in related sectors April, after the period ends). Considering these factors, with seasonally adjusted figures, the unemployment rate came at 4.65%, 16bps higher than in the previous month. Nevertheless, we judge the results as positive, especially as the total number of employees reached 54.8 million, only 900.3 thousand less than in February 2020, before the pandemic began. In this backdrop, we believe that strong economic dynamism is also helping, with the [monthly GDP-proxy for March \(IGAE\) accelerating](#).

In related indicators, the participation rate increased strongly, to 59.1% (previous: 57.2%; chart below on the right). As in previous releases, to reflect labor market conditions more accurately, if we sum the people ‘available for work’ not in the labor force both to the unemployed and into the labor force, the ‘expanded’ unemployment rate stood at 15.9%, marginally below the previous month but much more favorable than the 33.8% one year ago –which surged as it was the first month of strict lockdowns. In February 2020 it reached 12.0%, suggesting that there is still some room left for gains. Nevertheless, it suggests that a sizable improvement in labor market conditions has already been achieved.



Note: Dotted lines correspond to data obtained through the phone-only survey. The grey line indicates the hybrid survey
Source: Banorte with data from INEGI



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Job gains were only seen in the formal sector. Of the 1.0 million net jobs created, 1.1 million were in the formal sector, with the informal economy shedding 65.4 thousand. The former is much higher than the 44.8 thousand jobs created associated to IMSS. As a result, the informality rate fell to 55.6% (previous: 55.8%). This was somewhat surprising, as we believed that, as mobility indicators have kept trending towards pre-pandemic levels, more people would have reengaged in informal activities. By sectors, we highlight that manufacturing recovered 35.9 thousand positions. This is also positive considering supply chain issues and scarcity of some raw materials that has affected industry the most. Moreover, restaurants and hotels shed 37.0 thousand after adding 263.1k in March, giving credence to our view that this is a relevant seasonal effect. Overall, services were up by 1.4 million, with losses of 565.5 in the agricultural sector. On a negative note, the part-time rate picked up to 13.7% from 13.2%, contrasting with other signals of better labor market conditions.

Average wages per hour stood at \$46.61 pesos, up \$2.18 sequentially but -21.1% y/y lower. Nevertheless, the latter is heavily distorted by a base effect related to the pandemic. Given recent supply and demand shocks, along higher inflation, we will keep tracking this figure closely.

INEGI's employment report

Non-seasonally adjusted figures

%	Apr-21	Mar-21	Difference
Unemployment rate	4.65	3.89	0.76
Participation rate	59.1	57.2	1.9
Part-time workers rate	13.7	13.2	0.5
Formal employment	44.4	43.2	1.2
Informal employment ¹	55.6	56.8	-1.2
Working in the informal economy	28.0	28.7	-0.6
Working in the formal economy	27.6	28.1	-0.6

Source: INEGI

We continue seeing employment gains despite possible headwinds from industry and the outsourcing reform. As mentioned, we think the report is positive despite the increase in the unemployment rate, with the labor market underpinned by higher economic dynamism. In turn, this has been supported by the better evolution of COVID-19, among other factors. Regarding this, new cases and deaths in the latest update are near one-year lows. On vaccinations, currently the 7-day moving average of daily doses applied has reached a new historical high, close to 500,000. Other reasons that have likely helped include higher immunity from people that have already acquired and recovered from the disease, along warmer temperature. In our view, another strong wave is less probable, but we cannot rule it out completely. Considering this environment, our base case still assumes a gradual reduction of the unemployment rate in coming quarters, reaching close to 4.0% by end-2021. Regarding this, we should also say that there is still ample room for improvement according to this metric, as it was close to 3.5% before the pandemic.

On the contrary, we warn about relevant short-term risks. Among them, limits to increase production due to the lack of raw materials and higher costs due to supply chain issues. This could result in stronger adverse effects, especially in manufacturing. We think temporary stoppages already announced by some companies will not mean strong job losses. Nevertheless, if these issues extend further –both in time and scope–, factories could be obliged to fire workers. This could be observed even in a backdrop of vigorous external demand. Therefore, we will be watching closely for potential deviations from the recovery trend seen in recent months.

¹ Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, those in the formal economy do pay some form of income tax

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We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454