

# Labor market added 925.6 thousand jobs in October

- **Unemployment rate (October; nsa): 3.30%; Banorte: 3.21%; consensus: 3.25% (range: 3.10% to 3.40%); previous: 3.34%**
- **Part-time workers: 7.5% (previous: 7.9%); Participation rate: 60.7% (previous: 59.6%)**
- **In October, 925.6 thousand jobs were created, back on the recovery trend after a pause in the previous month. Hence, 1.4 million positions have been created so far this year**
- **The labor force increased by 935.0 thousand, with those unemployed up by 9.3 thousand. This explains the adjustment in the unemployment rate, reaching its lowest level in five months**
- **The participation rate increased, while the part-time rate improved at the margin. Outside of the labor force, those catalogued as ‘available for work’ declined by 443.8 thousand, with those ‘not available’ falling by 695.2 thousand**
- **Seasonally adjusted, the unemployment rate increased slightly to 3.22% from 3.15%, which we do not see as entirely negative considering all the results**
- **In the formal sector, 529.7 thousand jobs were created. Meanwhile, 395.9 thousand new jobs were added in the informal sector. As a result, the informality rate was almost unchanged at 55.4% (previous: 55.6%)**
- **Average hourly wages fell to \$48.40 (previous: \$49.05), which translates into a 5.8% y/y advance, accelerating at the margin**
- **We expect job creation to continue in 4Q22. However, the pace of growth could moderate amid increasing headwinds. Attention on the announcement of the 2023 minimum wage increase**

**The labor market recovers in October, partly favored by a seasonal effect.** With original figures, the unemployment rate stood at 3.30% (graph below, left), slightly higher than consensus (3.25%), and our estimate (3.21%). Considering adjustments after the summer holiday –with moves into and out of the labor force–, we believe the result reflects a more normalized backdrop, which can be interpreted as a favorable seasonal effect. Using seasonally adjusted figures, the unemployment rate stood at 3.22%, higher than the 3.15% of the previous month. Back to original data, and somewhat consistent with the dynamics already described –despite outperforming–, the labor force increased by 935.0 thousand, with +925.6 thousand employed and +9.3 thousand unemployed. In this sense, the participation rate rose to 60.7% (previous: 59.6%). Meanwhile, people outside of the labor force decreased by 1.1 million, with declines in both those catalogued as ‘available’ (-443.8 thousand) and ‘not available’ (-695.2 thousand). In our view, labor market performance is quite positive considering several signs of moderation across different sectors at the start of 4Q22, especially in industry. However, and considering that job creation outpaced its seasonal pattern, we remain optimistic.

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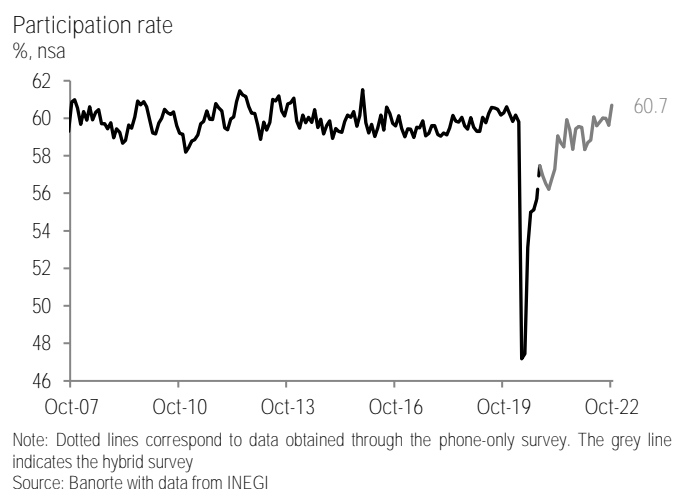
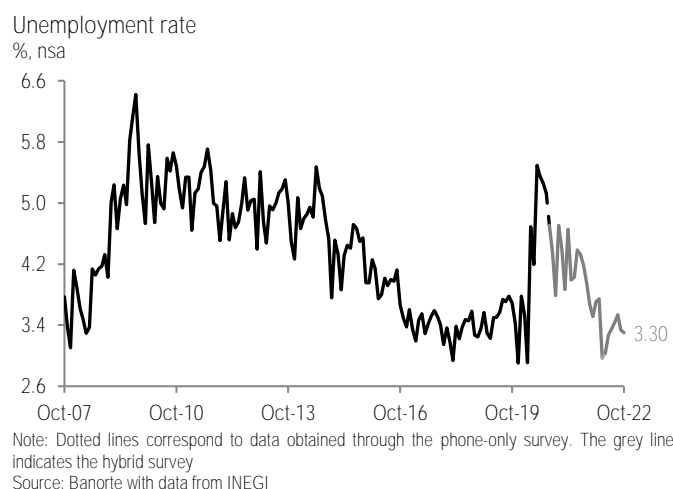
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In this context, the total number of employees came in at 58.4 million, implying +1.4 million jobs so far this year. As such, the figure reached a new historical high, surpassing its previous maximum in April 2022. As on previous reports, to better reflect labor market conditions, we added those ‘available for work’ not in the labor force both to the unemployed and the labor force. With this, the ‘expanded’ unemployment rate stood at 11.1%, 74bps lower than in the previous month. As a reference, in February 2020 –before the impact of the pandemic– it reached 12.2%, indicating that the recovery has advanced meaningfully.



**Relevant gains in services, with informality stable.** Of the 925.6 thousand jobs gained, the formal sector contributed with 529.7 thousand, while the informal economy added 395.9 thousand jobs. Regarding the former, the figure is higher than IMSS data, where 208.0 thousand new positions were registered. From this, it can be inferred that jobs were created in other areas, such as federal and state workers, along with the military. Hence, the informality rate was practically unchanged at 55.4% (previous: 55.6%). By sectors, services concentrated gains (+788.9 thousand), while industry was more modest (+157.8 thousand). Within the former, we highlight new positions in commerce (+418.0 thousand) and social services (164.0 thousand). However, these were partially offset by declines in transportation (-46.9 thousand). Regarding industry, manufacturing posted the largest increase with +207.6 thousand, which coupled with gains in mining and electricity (+82.0 thousand), was enough to compensate for losses in construction (-131.8 thousand). Meanwhile, primary activities added 37.4 thousand positions. On the other hand, the part-time rate decreased to 7.5%, positive considering that it is nearing its long-term average. Regarding wages, the average hourly wage stood at \$48.40 per hour, losing \$0.65 vs the previous month. However, in annual terms it accelerated to +5.8% (previous: +3.4%). We will continue paying attention to the evolution of wages in the remainder of the year, given prevailing price pressures, especially at the core component.

## INEGI's employment report

Non-seasonally adjusted figures

%	Oct-22	Sep-22	Difference
Unemployment rate	3.30	3.34	-0.04
Participation rate	60.7	59.6	1.1
Part-time workers rate	7.5	7.9	-0.4
Formal employment	44.6	44.4	0.2
Informal employment <sup>1</sup>	55.4	55.6	-0.2
Working in the informal economy	27.9	28.4	-0.5
Working in the formal economy	27.5	27.2	0.3

Note: Differences might not match due to the number of decimals allowed in the table

Source: INEGI

**Additional headwinds for the rest of the year, especially due a likely moderation in activity.** In our view, today's results are positive, providing some breathing room for the labor market amid a more challenging backdrop towards the end of the year. Specifically, we anticipate that job creation could start to decelerate, especially within the formal sector (particularly in industry). Despite of the latter, we do not expect this to translate into a significant increase in the unemployment rate, which is why we maintain our estimate of 3.4% by the end of the year.

In detail, we note that labor demand within the industrial sector could moderate due to: (1) A slowdown in US activity –at least according to November's *S&P Global* PMIs–, with some signs of softer demand as monetary tightening passes through to consumers; and (2) the uncertainty about a global recession in 2023. Hence, we anticipate that IMEF's manufacturing PMI for November could fall below the 50pts threshold. Additionally, we see construction and non-oil mining as constrained, thus limiting other possible gains. On the contrary, and as already mentioned in previous reports, signs in services remain favorable, expecting that categories related to tourism and recreational activities keep opening jobs, especially in the last two months of the year. In this context, *the National Chamber of the Restaurant and Food Industry*, through various state chapters, refers to at least three events that have caused and/or are expected to drive an increase in sales: (1) The 2022 FIFA World Cup; (2) higher activity during the Mexican Revolution holiday and *El Buen Fin*; and (3) year-end holiday gatherings that start as early as the first half of December.

Finally, we remain attentive to the agreement on the minimum wage increase for 2023 –with CONASAMI meetings starting back on November 24<sup>th</sup>– and President López Obrador stating –on Sunday November 27<sup>th</sup>– that he is confident that the increase will be 20%. We should recall that this is a tripartite agreement between employers, unions, and the government, and has not yet been signed. If this is confirmed, it would imply that the minimum wage would have gone from \$88.0 to \$207.4 per day in the last five years after increasing 16.2% in 2019, 20% in 2020, 15% in 2021, and 22% in 2022.

<sup>1</sup> 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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