

Employment report – October’s hike in the unemployment does not implies a backdrop in the labor market

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- **Unemployment rate (October): 4.55%; Banorte-Ixe: 4.28%; consensus: 4.3% (range of estimates: 4.2% to 4.51%); previous: 4.5%**
- **In seasonally adjusted terms, the unemployment rate increased 0.11%-pts. to 4.37%**
- **Part-time workers: 8.22% (previous: 8.48%); participation rate: 60.11% (previous: 59.48%; seasonally adjusted figures)**
- **Looking ahead, we believe that the unemployment rate will remain around current levels**
- **On a regional basis, we highlight the improvement in Baja California’s unemployment rate**

The unemployment rate stood at 4.55% in October, above our 4.28% estimate (consensus: 4.3%; previous: 4.5%). This number implies a 0.22%-pts. reduction on an annual basis. Moreover, the participation rate increased 0.91%-pts., along with part-time workers rate edging up to 8.7% from 8.59% in October 2014 (refer to the table below).

INEGI’s employment report: October 2015

nsa

%	Oct-15	Oct-14	Jan-Oct, '15
Unemployment rate (EAP)	4.55	4.78	4.42
Participation rate	60.07	59.17	59.61
Part-time workers rate	8.70	8.59	8.30

Source: INEGI

In seasonally adjusted terms, the unemployment rate increased 0.11%-pts. reaching 4.37%. Moreover, the participation rate edged-up creased 0.63%-pts., while the part-time workers rate fell to 8.22% from 8.48% as shown in the table below.

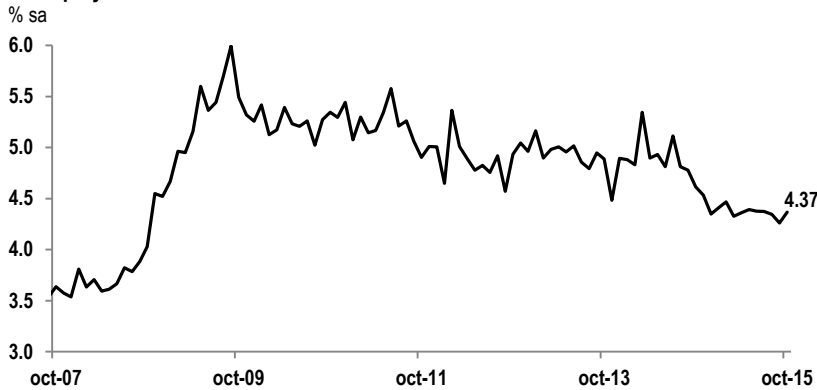
INEGI’s employment report: October 2015

Seasonally adjusted figures

%	Oct-15	Sep-15	Difference
Unemployment rate (EAP)	4.37	4.26	0.11
Participation rate	60.11	59.48	0.63
Part-time workers rate	8.22	8.48	-0.27

Source: INEGI

Unemployment rate: October 2015



Source: INEGI

We believe that the unemployment rate will remain around current levels.

We believe that the slightly increase in the unemployment rate (seasonally-adjusted figures) reflects the spike in the participation rate. In this regard, the higher growth in the latter can be explained by the better growth dynamics in the Mexican economy. In particular, Mexico’s non-farm payroll continues trending up, which suggests that a significant percentage of Mexican workers are entering the labor market given the better growth outlook that prevails. Looking ahead, we believe that the unemployment rate will probably remain at current levels, given that the initial recovery of the Mexican economy usually translates first in an increase in the participation rate. Moreover, it is likely that Mexico’s better growth dynamics will eventually result in a better performance of the labor market.

From our regional economy team

On a regional basis, we highlight the improvement in Baja California’s unemployment rate. For the second consecutive month, we highlight the 2.1pp reduction in the unemployment rate in Baja California. With these figures, we believe the entity continued to show better growth dynamics within the labor market than the other 31 states. Moreover, in October, formal employment increased 5.2% yoy in this state, with a 56,965 jobs created so far this year. Refer to [“Mexico: Formal employment - Labor market added 117,644 new formal jobs in September”](#). Similarly, we believe that the US3.7bn investments in the state within the manufacturing industry, explained the better growth prospects of the labor market. Year to date, unemployment rate in Baja California reached a level of 4.2% yoy, slightly below the 4.4% yoy national average.

Additionally, in Baja California Sur, Durango, Distrito Federal and Sonora, the employment situation has improved substantially vs. 2014 with significant declines in the unemployment rate. Moreover, in the states of Tabasco, Campeche, Veracruz, Guerrero and Oaxaca the unemployment rate increased slightly from the one obtained in the same month last year as shown in the following table.

Entities with minor and major changes in the unemployment rate: October-2015

% yoy

	Oct-15	Oct-14	Jan-Oct, '15	Difference
Baja California	3.6	5.7	4.2	-2.1
Baja California Sur	4.8	6.8	5.2	-2.0
Durango	4.5	6.2	5.2	-1.7
Distrito Federal	5.3	6.9	5.5	-1.6
Sonora	4.5	6.1	5.0	-1.6
Tabasco	7.2	6.2	6.6	1.0
Campeche	3.6	2.9	2.8	0.7
Veracruz	4.0	3.5	3.6	0.5
Guerrero	2.2	1.8	2.1	0.4
Oaxaca	3.5	3.1	3.0	0.3

Source: Banorte-Ixe; INEGI

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