

Employment report – Decrease in December’s unemployment rate

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- **Unemployment rate (December; seasonally adjusted figures): 3.37%; Banorte: 3.53%; consensus: 3.54%; previous: 3.47%**
- **Part-time workers: 7.16% (previous: 6.92%); participation rate: 59.12% (previous: 59.12%; seasonally adjusted figures)**
- **With these figures, the unemployment rate during 2017 stood at 3.42%, the lowest level in the history of the indicator**
- **Looking ahead, we expect that the unemployment rate will remain at marginally higher levels in the first quarter of the year**
- **Tabasco stands out as the federal entity with the largest reduction in its unemployment rate in December 2017 (vs. Dec '16)**

Decrease in the unemployment rate. According to *INEGI's* report published today, the unemployment rate stood at 3.37% in December, below our 3.53% forecast (*Bloomberg's* median forecast: 3.54%). This number implies a 0.10%-pts increase from November’s rate. With these figures the unemployment rate during 2017 stood at 3.42%, the lowest level in the history of the indicator.

Moreover, the participation rate remained unchanged at 59.12%. Additionally, the part-time workers rate increased to 7.16% from 6.92%, as shown in the table below.

Regarding the informal economy, December’s results show a marginal contraction, given that the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, now represents 56.81% of the Mexican workforce, which implies a 0.02%-pts fall from last month’s figure. Moreover, percentage of workers who are incorporated in the informal sector represents 26.51% of Mexico’s total labor force, which implies a 0.31%-pts decrease from November’s revised figures.

INEGI’s employment report: December 2017

Seasonally adjusted figures

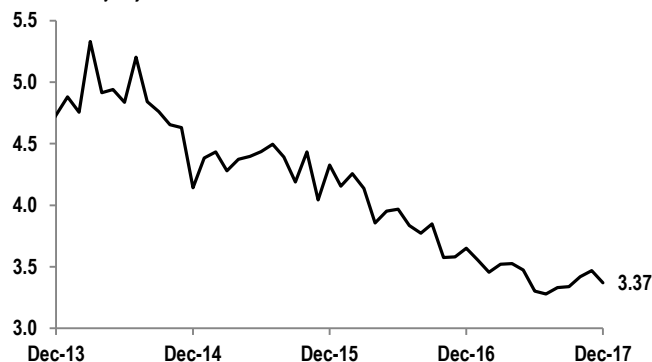
%	Dec-17	Nov-17	Difference
Unemployment rate	3.37	3.47	-0.10
Participation rate	59.12	59.12	0.01
Part-time workers rate	7.16	6.92	0.24
Informal employment ¹	56.81	56.83	-0.02
Working in the informal economy	26.51	26.82	-0.31
Working in the formal economy	30.30	30.01	0.29

Source: INEGI

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

Unemployment rate

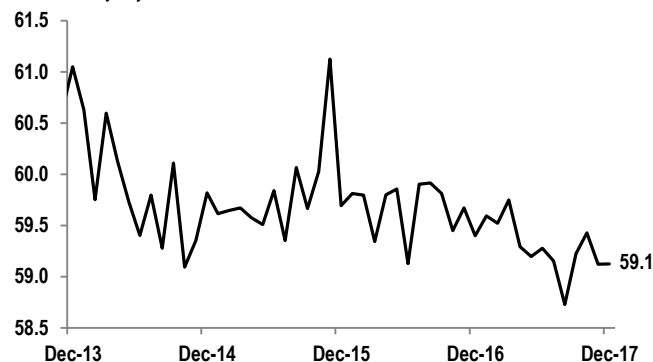
% seasonally adjusted



Source: Banorte with data from INEGI

Participation rate

% seasonally adjusted



Source: Banorte with data from INEGI

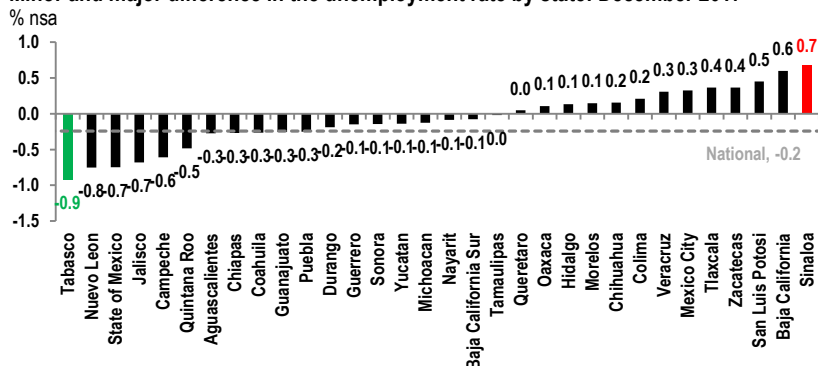
Looking ahead, we expect that the unemployment rate will remain at marginally higher levels in the first quarter of the year. We believe that unemployment will remain at low levels due to the increase in public spending, -derived from the electoral process-, in the first half of the year. We consider that this effect will be able to compensate for the loss of employment that could occur as a result of the slight deceleration that private consumption has presented in the last months. Additionally, uncertainty about the future of the commercial relationship between Mexico and the United States will continue to weigh on the growth prospects of the country. However, we believe that this will have a favorable conclusion, which in turn will positively influence employment performance once the renegotiation of NAFTA is concluded.

Regional analysis

Tabasco stands out as the federal entity with the largest reduction in its unemployment rate in December 2017. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 0.9pp annual reduction in Tabasco's unemployment rate, which stood at 6.7%. Moreover, the unemployment rate in Tabasco averaged 7.1% throughout 2017.

In this context, the reduction in Tabasco's unemployment rate was accompanied by a 4.3% yoy increase in the job creation within the formal economy with the support of the *National Service of Employment Programs* through job boards and fairs, among others. At the national level, we highlight that 11 entities out of the 32 that make up the Mexican Republic showed a smaller difference in the unemployment rate than that observed at the national level, as shown in the graph on the following page.

Minor and major difference in the unemployment rate by state: December 2017



Source INEGI:

In addition, in Nuevo Leon, the State of Mexico, Jalisco and Campeche, the labor market has improved substantially vs. December 2016 with significant declines in their unemployment rates. However, in Sinaloa, Baja California, San Luis Potosi, Zacatecas, and Tlaxcala the unemployment rates have substantially increased since December '16, as shown in the table below.

Unemployment rate by state – December 2017

%; nsa

	Dec-17	Dec-16	2017	Difference
National	3.1	3.4	3.4	-0.2
Tabasco	6.7	7.6	7.1	-0.9
Nuevo Leon	3.5	4.2	3.8	-0.8
State of Mexico	4.1	4.8	4.1	-0.7
Jalisco	2.7	3.3	2.8	-0.7
Campeche	3.4	4.0	3.8	-0.6
Quintana Roo	3.2	3.7	3.2	-0.5
Aguascalientes	3.6	3.8	3.6	-0.3
Chiapas	2.5	2.8	2.7	-0.3
Coahuila	3.6	3.8	4.4	-0.3
Guanajuato	3.8	4.0	3.5	-0.3
Puebla	2.6	2.8	2.7	-0.3
Durango	3.4	3.5	3.8	-0.2
Guerrero	1.5	1.7	1.7	-0.1
Sonora	3.8	4.0	3.7	-0.1
Yucatan	1.7	1.9	2.1	-0.1
Michoacan	2.3	2.4	2.6	-0.1
Nayarit	3.4	3.5	3.4	-0.1
Baja California Sur	3.9	4.0	4.2	-0.1
Tamaulipas	4.0	4.0	4.1	0.0
Queretaro	4.7	4.7	4.3	0.0
Oaxaca	1.8	1.7	2.2	0.1
Hidalgo	2.7	2.6	2.9	0.1
Morelos	2.4	2.2	2.1	0.1
Chihuahua	2.5	2.4	2.7	0.2
Colima	3.6	3.4	3.6	0.2
Veracruz	3.8	3.5	3.4	0.3
Mexico City	4.6	4.3	4.6	0.3
Tlaxcala	3.8	3.4	3.7	0.4
Zacatecas	2.5	2.1	2.7	0.4
San Luis Potosi	2.4	1.9	2.3	0.5
Baja California	2.8	2.2	2.9	0.6
Sinaloa	3.4	2.7	3.6	0.7

Source: INEGI

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