

Employment report – Unemployment rate maintains a downward trend

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- **Unemployment rate (July; seasonally adjusted figures): 3.24%; Banorte-Ixe: 3.24%; consensus: 3.3%; previous: 3.28%**
- **Part-time workers: 6.4% (previous: 7.2%); participation rate: 59.2% (previous: 59.3%; seasonally adjusted figures)**
- **Looking ahead, we expect unemployment rate to oscillate around these levels in the second half of the year, given the lower uncertainty around the Mexican economy**
- **For the second consecutive month, the State of Mexico stands out as the federal entity with the largest reduction in its unemployment rate**

Unemployment maintains a downward trend. According to *INEGI's* report published today, the unemployment rate stood at 3.24% in July, in line with our forecast (*Bloomberg's* median forecast: 3.3%). This number implies a marginal 0.04%-pts contraction from June's rate. Moreover, the part-time workers rate fell to 6.4% from 7.2%, while the participation rate marginally fell to 59.2% from 59.3%, as shown in the table below.

Regarding the informal economy, July's results were neutral. The percentage of workers who are incorporated in the informal sector represents 26.5% of Mexico's total workforce, which implies a 0.4%-pts contraction from June's figure. However, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, now represents 57.1% of the Mexican workforce, which implies a 0.4%-pts expansion.

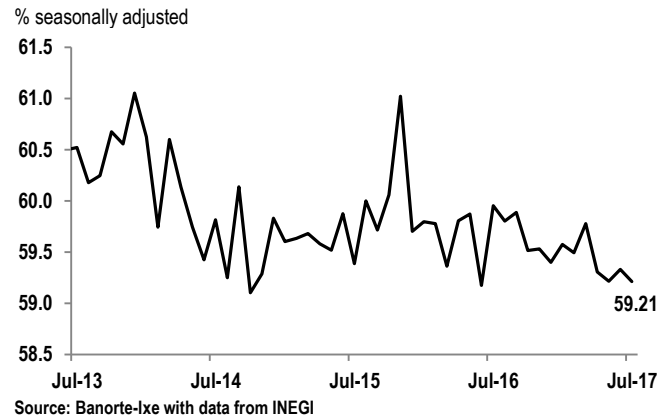
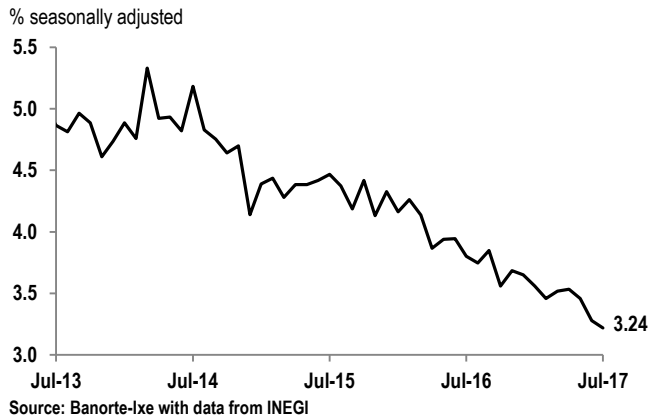
INEGI's employment report: July 2017

Seasonally adjusted

%	Jul-17	Jun-17	Difference
Unemployment rate	3.24	3.28	-0.03
Participation rate	59.21	59.33	-0.12
Part-time workers rate	6.40	7.16	-0.76
Employment in the informal economy	26.50	26.93	-0.42
Informal employment	57.09	56.67	0.42

Source: INEGI

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Looking ahead, we expect unemployment rate to oscillate around these levels in the second half of the year. We believe that unemployment will remain around these levels in the following months, as a result of lower uncertainty regarding the future performance of the Mexican economy, given a lower probability of drastic changes to the US commercial policy. However, we foresee that this will be partially offset by the downward trend in public spending, which has already translated in a higher number of unemployed workers.

Regional analysis

For the second consecutive month, the State of Mexico stands out as the federal entity with the largest reduction in its unemployment rate. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight for the second consecutive month, the 1.8pp annual reduction in the State of Mexico’s unemployment rate, which stood at a record low of 3.6%. Moreover, year-to-date, unemployment rate in the State of Mexico stands at 4.1%. In this context, the reduction in July’s unemployment rate in the entity was accompanied by a 4.3% yoy increase in the job creation within the formal economy.

In addition, in Sonora, Morelos, Tamaulipas, and Jalisco, the labor market has improved substantially vs. July 2016 with significant declines in their unemployment rates. However, in Yucatán, Baja California, San Luis Potosi, Quintana Roo, and Puebla, the unemployment rates substantially has increased since July’16, as shown in the following table.

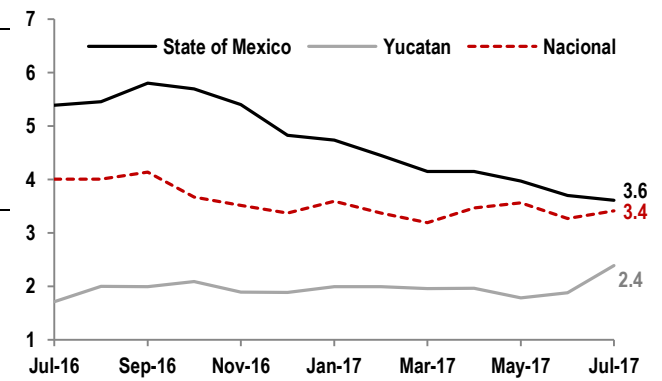
Finally, as we can see in the following chart, the unemployment rate in the State of Mexico has maintained a downward trend since September 2016. In contrast, in Yucatan, unemployment rate doesn't show signs of recovery as it continues with an upward trend.

Entities with minor and major changes in the unemployment rate: July-2017
%, nsa

	Jul-17	Jul-16	Difference	Jan-Jul. '17
State of Mexico	3.6	5.4	-1.8	4.1
Sonora	3.9	5.6	-1.7	3.6
Morelos	1.8	3.2	-1.5	1.7
Tamaulipas	3.9	5.1	-1.2	4.0
Jalisco	2.3	3.6	-1.2	2.8
Yucatan	2.4	1.7	0.7	2.0
Baja California	2.9	2.3	0.6	2.7
San Luis Potosi	2.8	2.3	0.5	2.2
Quintana Roo	3.2	2.8	0.3	3.0
Puebla	3.3	3.1	0.2	2.7

Source: INEGI

Entities with minor and major difference in the unemployment rate
%, nsa



Source: INEGI

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