

Formal employment – Lower job creation in March explained by the Holy Week

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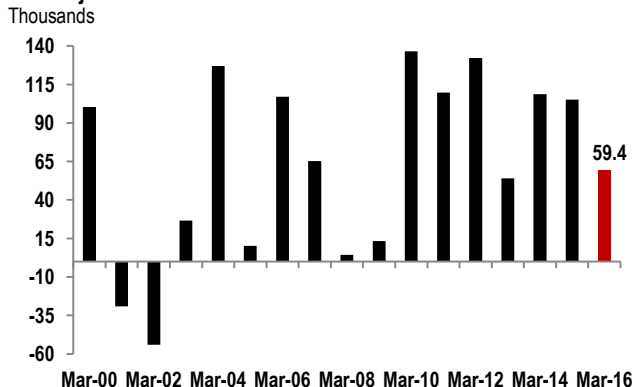
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- **Formal employment (March): 59,412 new jobs; February: 142,291**
- **We highlight that today’s figure stands out as the lowest job creation for a March since 2013**
- **We believe that the lower creation of jobs can be explained by a calendar effect, given that 2016’s Holy Week was celebrated in the last week of March**
- **In this regard, 270,873 new formal jobs were created in the first quarter of 2016**
- **In this context, the services sector generated 34,512 new jobs, while industrial activities added 11,773 jobs in March**
- **We believe that the formal labor market will continue to maintain a favorable performance in 2016**
- **Quintana Roo continues to be the federal entity with the highest creation of formal jobs**

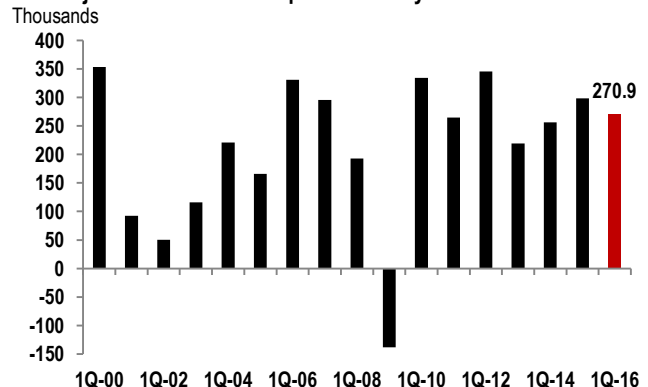
According to the Ministry of Labor, **59,412 new formal jobs were created in March**. We highlight that today’s figure stands out as the lowest job creation for a March since 2013. However, we believe that the lower job creation can be explained by a calendar effect, given that 2016’s Holy Week was celebrated in the last week of March. Nevertheless, during the first quarter, 270,873 new formal jobs were created, which is marginally lower than the job creation of 2015, but significantly higher than the observed for 1Q13 and 1Q14, as shown in the charts below. Taking a look at the breakdown, 41,289 jobs in March were permanent, while 18,123 temporary jobs were created. Moreover, year-to-date 56.1% of the total job creation has been permanent (labor contracts made for an indefinite period of time).

Formal job creation in March



Source: Ministry of Labor

Formal job creation in a first quarter of the year



Source: Ministry of Labor

Services generated 34,512 new jobs, while industrial activities added 11,773 jobs. We highlight the creation of 18,524 new formal jobs in manufacturing sector, given that it was the largest contributor to the total employment in March. Moreover, the construction and the mining industries lost 7,110 and 1,490 jobs, respectively. However, the job creation within these sectors was mostly affected by the above-mentioned calendar effect.

In addition, “personal, firms, and household's services” subsector, generated 13,176 new formal jobs; while trade added 12,377 jobs. Similarly, primary activities created 13,127 new jobs. Year-to-date, the industrial sector has generated 49.8% of the total job creation, while the services sector has contributed to 34.8% and the primary activities with 15.3%.

Formal job creation by sector: March 2016

	Mar-16	Mar-15	Jan-Mar, '16	Jan-Mar, '15	% of total YTD
Total	59,412	105,136	270,873	298,611	
Permanent jobs	41,289	83,576	151,844	185,881	56.1
Temporary jobs	18,123	21,560	119,029	112,730	43.9
City workers	6,433	23,184	90,351	90,173	33.4
Farmworkers	11,690	-1,624	28,678	22,557	10.6
Monthly formal job creation by economic sector					
Primary activities	13,127	-2,616	41,556	28,106	15.3
Industrial activity	11,773	45,286	135,014	193,269	49.8
Mining	-1,490	324	-77	866	0.0
Manufactures	18,524	34,170	88,445	133,912	32.7
Construction	-7,110	9,627	45,733	59,811	16.9
Utilities	1,849	1,165	913	-1,320	0.3
Services	34,512	62,466	94,303	77,236	34.8
Trade	12,377	18,357	-20,318	-13,649	-7.5
Communications and transportation	-2,294	6,925	14,432	11,763	5.3
Personal, firms, and household's services	13,176	25,664	40,795	30,451	15.1
Social and community services	11,253	11,520	59,394	48,671	21.9

Source: Ministry of Labor

We believe that the formal labor market will maintain a favorable performance in 2016. Employment in the manufacturing sector continues to grow given the recovery of the Mexican manufacturing industry. Moreover, employment within the services has shown a favorable performance, adding 34,512 new jobs in March (345,182 new jobs last year). All of the above mentioned factors imply that the pace of growth in domestic demand has remained relatively stable. Looking ahead, we believe that the better growth prospects of Mexico’s labor market will result in a higher growth of private consumption.

From our regional economy team

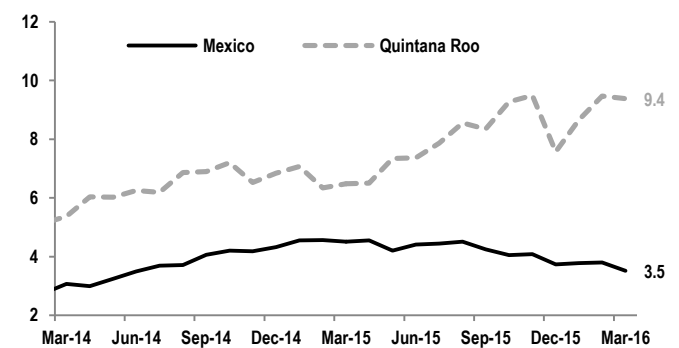
Quintana Roo continues to lead the federal entities with the highest growth in the creation of formal jobs. Quintana Roo stands out as the entity that achieved the highest growth of formal employment for the third consecutive month (9.4%), with the creation of 3,950 new jobs. Other states that outperformed the national average were Queretaro (7.1%), Aguascalientes (6.7%), Sinaloa (6.6%) and Chihuahua with 5.8% yoy. Moreover, at the end of 1Q16, Quintana Roo generated 16,293 new formal jobs.

States with the highest formal job creation: March 2016

	Mar-16	% annual	Jan-Mar, '16
Total nacional	59,412	3.5	270,873
Quintana Roo	3,950	9.4	16,293
Querétaro	2,994	7.1	17,813
Aguascalientes	2,246	6.7	8,786
Sinaloa	7,280	6.6	14,380
Chihuahua	337	5.8	11,917

Source: Banorte-ixe; MoL

Formal employment: Mexico vs. Quintana Roo
% yoy



Source: Banorte-ixe; MoL

Taking a look at the breakdown, 44% of the 3,950 formal jobs created in Quintana Roo were permanent, while the rest were short-term jobs. We believe that tourism sector continues to be the main generator of formal jobs in this federal entity given the international tourism fairs in cities like Cancun, Playa del Carmen, and Chetumal.

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