

Employment report – Mixed results in July

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- **Unemployment rate (July; seasonally adjusted figures): 3.35%; Banorte: 3.41%; consensus: 3.41%; previous: 3.40%**
- **Part-time workers: 7.01% (previous: 6.86%); Participation rate: 59.25% (previous: 59.56%; seasonally adjusted figures)**
- **We consider that the results of this report are mixed, given the decrease in the unemployment rate, while part-time workers went up and the participation rate declined**
- **Looking ahead, we expect that the unemployment rate will remain at similar levels in the coming months**
- **Michoacan stands out as the federal entity with the largest reduction in its unemployment rate in an annual comparison**

Mixed results in July. According to *INEGI's* report published today, the unemployment rate stood at 3.35% in July, below our 3.41% forecast (*Bloomberg's* median forecast: 3.25%). This number implies a 0.05%-pts reduction from June's revised rate.

The participation rate fell to 59.25% from 59.56%. In addition, the part-time workers rate increased to 7.01% from 6.86%, as shown in the table below. All in all, we consider that the results of this report are mixed, given the decrease in the unemployment rate, while part-time workers went up and the participation rate declined. It is worth noting that the unemployment rate remains at significantly low levels.

Regarding the informal economy, July's results show a decrease in comparison with June, given that the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–now represents 56.46% of the Mexican workforce (previous: 59.56%). However, the percentage of workers who are incorporated in the informal sector now amounts to 27.65% of Mexico's total labor force, which implies a 0.36%-pts expansion from June's revised figures.

INEGI's employment report: July 2018

Seasonally adjusted figures

%	Jul-18	Jun-18	Difference
Unemployment rate	3.35	3.40	-0.05
Participation rate	59.25	59.56	-0.31
Part-time workers rate	7.01	6.86	0.16
Informal employment¹	56.46	56.88	-0.41
Working in the informal economy	27.65	27.29	0.36
Working in the formal economy	28.81	29.59	-0.78

Source: INEGI

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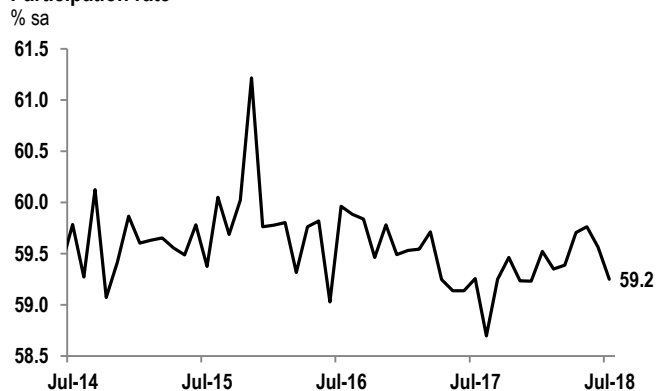
¹ Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, workers in the formal economy do pay some form of income tax

Unemployment rate



Source: Banorte with data from INEGI

Participation rate



Source: Banorte with data from INEGI

Looking ahead, we expect that the unemployment rate will remain at similar levels in the coming months. We believe that unemployment will remain at similar levels given the dynamism in the services sector, which continues to be the main driver of growth for the Mexican economy. In addition, we expect activity in the industrial sector to continue to support the labor market, particularly jobs in the manufacturing sector, especially after the reduction in uncertainty after the commercial agreement between Mexico and the US.

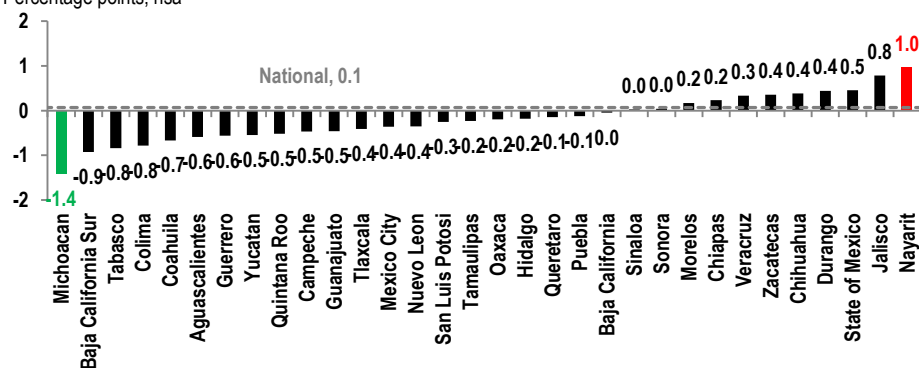
At a regional level

Michoacan's unemployment rate registered the largest annual decrease in its history. Analyzing the non-seasonally figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.4pp annual reduction in Michoacan's unemployment rate, which now stands at 1.6%, its lowest level in history. In this context, the reduction in Michoacan's unemployment rate was partially explained by a 4.3% yoy increase in formal job creation, with the support of the *National Service of Employment Programs* through fairs especially the ones in the Lazaro Cardenas special economic zone.

Moreover, we highlight that the unemployment rate in 23 out of the 32 states that make up the Mexican Republic showed a greater reduction than the one observed at the national level, as shown in the following graph.

Differences in the unemployment rate by state: July 2018

Percentage points, nsa



Source INEGI:

In addition, the labor market in Baja California Sur, Tabasco, Colima, and Coahuila has improved substantially with significant declines in their unemployment rate. However, in Nayarit, Jalisco, State of Mexico, Durango, and Chihuahua the unemployment rate has substantially increased since July '17, as shown in the following table.

Unemployment rate by state – July 2018

%; nsa

	Jul-18	Jul-17	Jan-Jul '18	Difference
Michoacan	1.6	3.0	2.0	-1.4
Baja California Sur	3.7	4.6	3.6	-0.9
Tabasco	6.5	7.3	7.0	-0.8
Colima	2.9	3.7	3.1	-0.8
Coahuila	4.1	4.8	3.9	-0.7
Aguascalientes	3.4	4.0	3.6	-0.6
Guerrero	1.1	1.7	1.2	-0.6
Yucatan	1.8	2.4	1.8	-0.5
Quintana Roo	2.7	3.2	2.7	-0.5
Campeche	3.4	3.9	2.9	-0.5
Guanajuato	2.9	3.4	3.4	-0.5
Tlaxcala	3.3	3.7	3.4	-0.4
Mexico City	4.5	4.9	4.3	-0.4
Nuevo Leon	3.3	3.7	3.5	-0.4
San Luis Potosi	2.6	2.8	2.6	-0.3
Tamaulipas	3.7	3.9	3.9	-0.2
Oaxaca	1.6	1.8	1.4	-0.2
Hidalgo	2.6	2.8	2.7	-0.2
Queretaro	4.3	4.5	3.8	-0.1
Puebla	3.2	3.3	2.5	-0.1
Baja California	2.8	2.9	2.4	0.0
Sinaloa	3.8	3.8	3.1	0.0
Sonora	3.9	3.9	3.7	0.0
National	3.5	3.4	3.3	0.1
Morelos	1.9	1.8	2.0	0.2
Chiapas	2.8	2.6	2.5	0.2
Veracruz	3.7	3.4	3.2	0.3
Zacatecas	3.1	2.7	3.1	0.4
Chihuahua	3.2	2.8	3.4	0.4
Durango	4.2	3.8	4.1	0.4
State of Mexico	4.1	3.6	4.3	0.5
Jalisco	3.1	2.3	2.5	0.8
Nayarit	4.4	3.4	3.8	1.0

Source: INEGI

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