

Employment report – Marginal increase in the May’s unemployment rate

June 28, 2016

- **Unemployment rate (May; seasonally adjusted figures): 4%; Banorte-Ixe: 4.08%; consensus: 3.96% (range of estimates: 3.75% to 4.12%); previous: 3.92%**
- **Part-time workers: 8.3% (previous: 7%); participation rate: 59.8% (previous: 59.7%; seasonally adjusted figures)**
- **Looking ahead, we believe that the unemployment rate will maintain a downward trend throughout the year**
- **Baja California stands out as the federal entity with the largest reduction in its unemployment rate**

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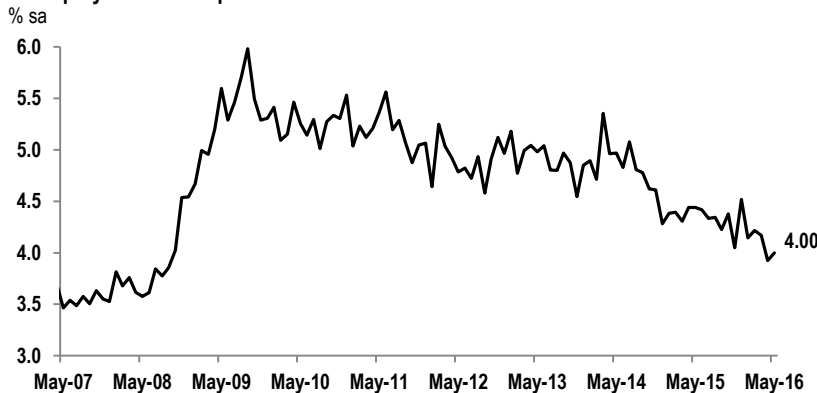
Marginal increase in May’s unemployment rate. According to *INEGI’s* report published today, the unemployment rate stood at 4% in May, above our 4.08% forecast (consensus: 3.96%). This number implies a 0.08%-pts. reduction from April’s rate. Moreover, the participation rate increased by 0.04%-pts, while the part-time workers rate increased 1.25%-pts, as shown in the table below.

INEGI’s employment report: May 2016

%	May-16	Apr-16	Difference
Unemployment rate (EAP)	4.00	3.92	0.08
Participation rate	59.78	59.74	0.04
Part-time workers rate	8.28	7.03	1.25

Source: INEGI

Unemployment rate: April 2016



Source: INEGI

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Looking ahead, we believe that the unemployment rate will maintain a downward trend. In our view, the marginally increase in the unemployment rate was partially explained by the inherent volatility in the monthly sample of the *National Survey of Employment and Occupation* (ENOE). Usually the monthly results of this survey are relatively volatile, given its statistical design.

In our view, the unemployment rate will probably continue to fall, given the higher growth of the domestic demand and the upward trend in the creation of formal jobs. In this context, we believe that the unemployment rate could stand around 3.7% at the end of the year (seasonally adjusted figures).

From our regional economist

Baja California 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 the 2pp reduction in the unemployment rate in Baja California during May. With these figures, this entity continued to show better growth dynamics within the labor market than the other 31 states. Moreover, in May, formal employment in this state increased 4.4%, with 30,825 jobs created within the first five months of 2016. Moreover, year-to-date, the unemployment rate in this state is below the 4% national average.

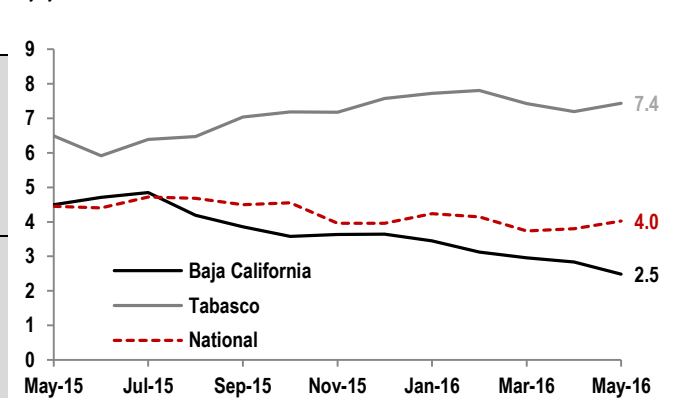
Additionally, in Nayarit, Coahuila, Tlaxcala, and Baja California Sur, the labor market has improved substantially vs. May 2015 with significant declines in the unemployment rate. However, in Tabasco, Campeche, Zacatecas, Veracruz, and Guerrero, the unemployment rate increased from the one obtained in May' 15, as shown in the following table.

Entities with minor and major changes in the unemployment rate: May-2016
% yoy

	May-16	May-15	Jan-May, '16	Difference
Baja California	2.5	4.5	3.0	-2.0
Nayarit	3.8	5.3	4.0	-1.5
Coahuila	3.9	5.2	4.4	-1.3
Tlaxcala	3.7	4.8	4.3	-1.1
Baja California Sur	3.8	4.7	4.4	-0.9
Tabasco	7.4	6.5	7.5	0.9
Campeche	3.3	2.5	3.0	0.9
Zacatecas	3.1	2.6	3.3	0.4
Veracruz	3.5	3.2	3.5	0.3
Guerrero	2.3	2.0	2.3	0.3

Source: Banorte-ixe; INEGI

Entities with minor and major difference in the unemployment rate
% yoy



Source: Banorte-ixe; INEGI

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