

Formal employment – The Mexican formal labor market maintains an upward trend

- **Formal employment (June): 68,269 new jobs (June 2015: 78,435 jobs)**
- **The services sector generated 62,204 new jobs, while industrial activities added 42,124 jobs**
- **Despite the favorable performance of the formal labor market, we believe that it will decelerate in the second half of the year**
- **In the first six months of the year, Quintana Roo maintains the first place in the creation of formal jobs**

According to the Ministry of Labor, 68,269 new formal jobs were created in June. This figure was lower than the creation of 78,435 formal jobs in June 2015. Taking a look at the breakdown, 94,664 of the jobs created were permanent, while 36,748 short-term jobs were lost. However, we highlight that June's loss of formal employment was simply explained by Mexico's agricultural cycle, given that the bulk of workers who lost their job belonged to the agricultural sector.

Year-to-date, 442,038 new formal jobs have been created, above the 434,708 jobs created in the first half of 2015. Moreover, 85.9% of the total job creation has been permanent (labor contracts made for an indefinite period of time).

Services generated 62,204 new jobs, while industrial activities added 42,124 jobs. We highlight the creation of 24,544 new formal jobs within the manufacturing industry. Moreover, construction added 17,113 jobs, while the mining industries generated 351 jobs.

In addition, trade added 23,437 new jobs; while “personal, firms, and household's services” subsector generated 37,869 formal jobs. Primary activities lost 36,059 jobs in June, given the seasonal effect of Mexico's agricultural cycle. Year-to-date, the industrial sector has generated 60.3% of the total job creation, while the services sector has contributed to 49.6%, and the primary activities has lost 9.9% of the total formal workforce.

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Formal job creation by sector: June 2016

	Jun-16	Jun-15	Jan-Jun, '16
Total	68,269	78,435	442,038
Permanent jobs	94,664	84,040	379,767
Temporary jobs	-26,395	-5,605	62,271
Urban workers	10,353	23,986	121,651
Farmworkers	-36,748	-29,591	-59,380
By economic sector			
Primary activities	-36,059	-27,458	-43,854
Industrial activity	42,124	51,662	266,632
Mining	351	-114	257
Manufactures	24,544	22,521	169,879
Construction	17,113	29,376	97,863
Utilities	116	-121	-1,367
Services	62,204	54,231	219,260
Trade	23,437	18,437	39,948
Communications and transportation	8,765	6,396	29,134
Personal, firms, and household's services	37,869	36,386	101,776
Social and community services	-7,867	-6,988	48,402

Source: Ministry of Labor

Despite the favorable performance of the formal labor market, we believe that it will decelerate in the second half of the year. Employment within the services has shown a favorable performance, adding 219.260 new jobs in the first semester, which implies that the pace of growth in domestic demand will remain relatively stable. However, as we mentioned in consumer confidence flash, we expect a deceleration in the Mexican labor market during the third quarter of the year given the fiscal cut announced by the Federal Government in May. This will translate in a lower creation of jobs, particularly within the construction sector, and will restrict public investment.

From our regional economist

In the first six months of the year, Quintana Roo maintains the first place in the creation of formal jobs. In the first half of the year, Quintana Roo stands again as the entity that achieved the highest growth of formal employment (10.9%), with the creation of 26,990 new jobs. Just in June, the entity outperformed the national average achieving the creation of 5,182 formal jobs, half of the jobs created in 2Q16 (10,697). Other states that outperformed the national average were Baja California Sur (8.6%), Aguascalientes (8.2%), Querétaro (7.7%), and Tlaxcala with 6.5% yoy. Taking a look at the breakdown, 48% of the 5,182 formal jobs created were permanent, while the rest were short-term jobs.

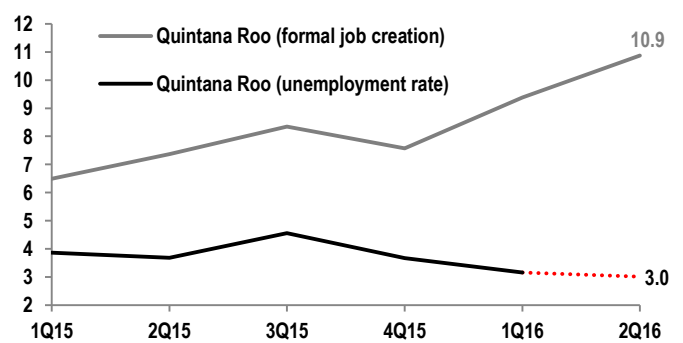
We believe that the work done in the tourism sector, the attraction of new investments, and the incentives given for the creation of new jobs, allowed the permanence of a higher job creation, and the decline in the unemployment rate within the entity. In this regard, we believe that in coming months, we will continue to see significant gains in formal employment that will highlight the favorable situation of the entity.

States with the highest formal job creation: June 2016

	Jun-16	% annual	Jan-Jun, '16
National	68,269	3.7	442,038
Quintana Roo	5,182	10.9	26,990
Baja California Sur	-1,414	8.6	7,148
Aguascalientes	2,245	8.2	14,117
Querétaro	3,512	7.7	27,703
Tlaxcala	821	6.5	3,812

Source: Banorte-Ixe; MoL

Quintana Roo's labor market
% yoy



Source: Banorte-Ixe; MoL

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