

Employment report – Marginal decrease in January’s unemployment rate

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- **Unemployment rate (January; seasonally adjusted figures): 3.36%; Banorte: 3.31%; consensus: 3.34%; previous: 3.37%**
- **Part-time workers: 6.77% (previous: 7.13%); participation rate: 59.45% (previous: 59.18%; seasonally adjusted figures)**
- **We consider that the results of this report are positive, since there is a generalized improvement in the country's employment conditions**
- **Looking ahead, we expect that the unemployment rate will remain at similar levels in the first quarter of the year**
- **Campeche stands out as the federal entity with the largest reduction in its unemployment rate in Jan '18 vs. Jan '17**

Slight reduction in the unemployment rate. According to *INEGI's* report published today, the unemployment rate stood at 3.36% in January, above our 3.31% forecast (*Bloomberg's* median forecast: 3.34%). This number implies a marginal 0.01%-pts decrease from December's rate.

Moreover, the participation rate stood at 59.45% from 59.18%. Additionally, the part-time workers rate decreased to 6.77% from 7.13%, as shown in the table below. These results, as well as the unemployment rate, point to an overall improvement in the country's labor market.

Regarding the informal economy, January's results show a contraction, given that the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, now represents 56.64% of the Mexican workforce, which implies a 0.18%-pts fall from last month's figure. However, the percentage of workers who are incorporated in the informal sector represents 27.5% of Mexico's total labor force, which implies a 0.88%-pts increase from December's revised figures.

INEGI's employment report: January 2018

Seasonally adjusted figures

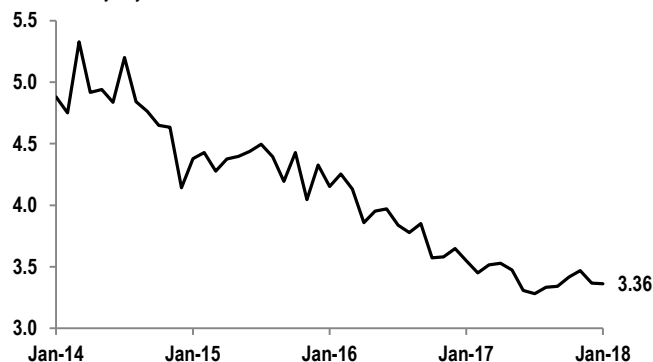
%	Jan-18	Dec-17	Difference
Unemployment rate	3.36	3.37	0.00
Participation rate	59.45	59.18	0.27
Part-time workers rate	6.77	7.13	-0.36
Informal employment¹	56.64	56.81	-0.16
Working in the informal economy	27.50	26.62	0.88
Working in the formal economy	29.14	30.18	-1.04

Source: INEGI

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

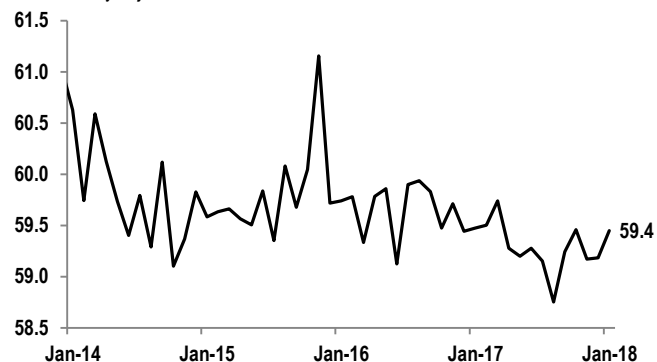
% seasonally adjusted



Source: Banorte with data from INEGI

Participation rate

% seasonally adjusted



Source: Banorte with data from INEGI

Looking ahead, we expect that the unemployment rate will hover around these levels in the first quarter of the year. We believe that unemployment will remain at low levels given the increase in public spending, -stemming from the electoral process-, in the first half of the year. We consider that this effect will be able to compensate for the possible loss of employment that could occur as a result of the slight deceleration that private consumption has presented in the last months. Additionally, uncertainty about the future of the commercial relationship between Mexico and the United States will continue to weigh on the growth prospects of the country. However, looking ahead we believe that this will have a favorable conclusion, which in turn will positively influence employment performance once the renegotiation of NAFTA is concluded.

Regional analysis

Campeche stands out as the federal entity with the largest reduction in its unemployment rate in January. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 0.8pp annual reduction in Campeche's unemployment rate, which stood at 3%. In this context, the decline in Campeche's unemployment rate was accompanied by a 4.3% yoy increase in the job creation within the formal economy given the support of the *National Service of Employment Programs* through job boards and fairs, among others. At the national level, we highlight that the unemployment rate for 10 entities out of the 32 that make up the Mexican Republic, had a stronger reduction than that observed at the national level, as shown in next page chart.

Minor and major difference in the unemployment rate by state: January 2018



Source INEGI:

In addition, within Jalisco, Oaxaca, Nuevo Leon, and Guerrero the labor market has improved substantially vs. January 2017 with significant declines in their unemployment rates. However, in Zacatecas, San Luis Potosi, Durango, Veracruz, and Chihuahua the unemployment rates substantially have increased since January'17, as shown in the next table.

Unemployment rate by state – January 2018

%; nsa

	Jan-18	Jan-17	2017	Difference
National	3.1	3.4	3.4	-0.2
Campeche	3.0	3.7	3.8	-0.8
Jalisco	2.7	3.3	2.8	-0.6
Oaxaca	1.6	2.2	2.2	-0.6
Nuevo Leon	3.3	3.9	3.8	-0.6
Guerrero	1.5	1.9	1.7	-0.4
State of Mexico	4.4	4.7	4.1	-0.4
Chiapas	2.5	2.8	2.7	-0.3
Quintana Roo	3.2	3.5	3.2	-0.3
Puebla	2.5	2.8	2.7	-0.3
Coahuila	3.9	4.2	4.4	-0.3
Sinaloa	3.1	3.3	3.6	-0.2
Tabasco	7.5	7.7	7.1	-0.2
Baja California Sur	3.5	3.6	4.2	-0.2
Baja California	2.5	2.6	2.9	-0.2
Guanajuato	3.6	3.7	3.5	-0.1
Tamaulipas	3.9	4.1	4.1	-0.1
Mexico City	4.0	4.1	4.6	-0.1
Hidalgo	2.5	2.6	2.9	-0.1
Yucatan	1.9	2.0	2.1	-0.1
Michoacan	2.4	2.5	2.6	-0.1
Sonora	3.4	3.5	3.7	-0.1
Tlaxcala	3.4	3.4	3.7	-0.1
Morelos	2.0	2.1	2.1	0.0
Aguascalientes	3.6	3.6	3.6	0.0
Queretaro	4.0	4.0	4.3	0.1
Colima	3.6	3.5	3.6	0.1
Nayarit	3.4	3.2	3.4	0.1
Chihuahua	2.8	2.7	2.7	0.2
Veracruz	3.7	3.4	3.4	0.3
Durango	3.9	3.6	3.8	0.4
San Luis Potosi	2.8	2.0	2.3	0.8
Zacatecas	3.3	2.3	2.7	1.0

Source: INEGI

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