

Employment report – Unemployment rate maintains a downward trend

September 28, 2016

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- **Unemployment rate (August; seasonally adjusted figures): 3.73%; Banorte-Ixe: 3.8%; consensus: 4% (range of estimates: 3.7% to 3.9%); previous: 3.74%**
- **Part-time workers: 8.2% (previous: 7.9%); participation rate: 59.8% (previous: 60%; seasonally adjusted figures)**
- **Looking ahead, we believe that the unemployment rate will oscillate around current levels throughout the year**
- **Nayarit stands out as the federal entity with the largest reduction in its unemployment rate in August**

Unemployment rate maintains a downward trend. According to *INEGI's* report published today, the unemployment rate stood at 3.73% in August, below our 3.8% forecast (consensus: 3.76%). This number implies a marginal 0.01%-pts. reduction from July's rate. In this regard, we highlight that with today's figure, the unemployment rate achieved its lowest level since the 2008 financial crisis. Moreover, the participation rate fell by 0.13%-pts, while the part-time workers rate increased 0.34%-pts, as shown in the table below.

Regarding the informal economy, the percentage of workers who are incorporated in the informal sector represents 27.9% of Mexico's total workforce, which implies a significant 0.84%-pts increase from July's figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, increased by 0.82%-pts, and now represents 57.1% of the Mexican workers.

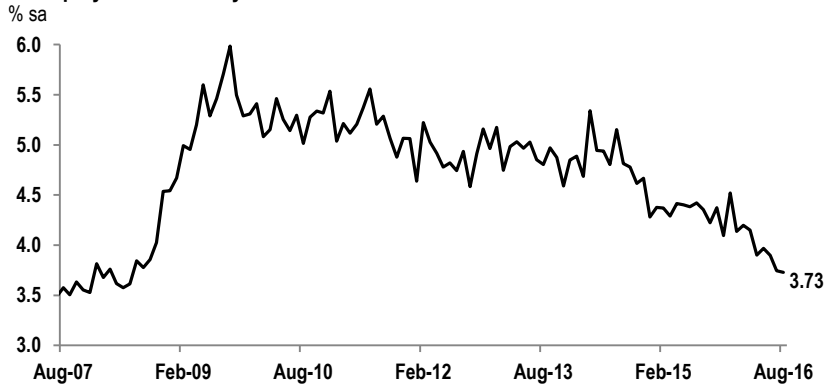
INEGI's employment report: July 2016

%	Aug-16	Jul-16	Difference
Unemployment rate (EAP)	3.73	3.74	-0.01
Participation rate	59.84	59.7	-0.13
Part-time workers rate	8.23	7.89	0.34
Employment in the informal economy	27.89	27.05	0.84
Informal employment	58.01	57.19	0.82

Source: INEGI

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Unemployment rate: July 2016



Source: INEGI

Looking ahead, we believe that the unemployment rate will oscillate around current levels throughout the year. Today’s employment report suggests a more positive outlook for the Mexican labor market during August, as the unemployment rate fell even though a higher percentage of workers joined the labor force.

Looking ahead, we believe that the unemployment rate will oscillate around current levels. In particular, the downward trend in public spending has already translated in a higher number of unemployed workers, and has affected private investment projects. In the aggregate, it is likely that the labor market will continue to grow, but at a slower pace given the fiscal cuts that the Federal Government will continue to implement throughout the second half of the year.

From our regional economy team

Nayarit stands out as the federal entity with the largest reduction in its unemployment rate in August. 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 Nayarit during August, which stood at 4.4%. With these figures, this entity began to show better growth dynamics within the labor market than the other 31 states. Year-to-date, the unemployment rate in this state stands at 4.1%, slightly above the 4% national average. In this context, we highlight that in August, formal employment in this state increased 3.9% yoy.

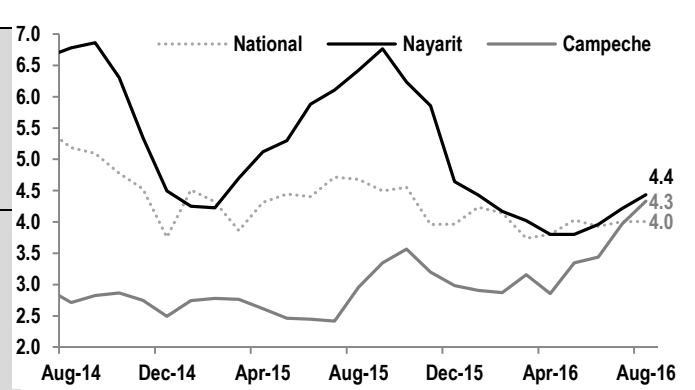
In addition, in Jalisco, Queretaro, Baja California, and Nuevo Leon, the labor market has improved substantially vs. August 2015 with significant declines in the unemployment rate. However, in Campeche, Tabasco, Sonora, Durango, and Tamaulipas, the unemployment rate increased from the one obtained in August’15, as shown in the following table.

Entities with minor and major changes in the unemployment rate:
August-2016
 %, nsa

	Aug-16	Aug-15	Jan-Aug, '16	Difference
Nayarit	4.4	6.4	4.1	-2.0
Jalisco	3.5	5.3	3.9	-1.8
Queretaro	4.0	5.6	4.5	-1.6
Baja California	2.7	4.2	2.8	-1.5
Nuevo Leon	3.9	5.2	4.1	-1.3
Campeche	4.3	3.0	3.4	1.4
Tabasco	7.3	6.5	7.5	0.8
Sonora	6.0	5.4	5.1	0.6
Durango	5.3	4.7	4.6	0.5
Tamaulipas	5.4	5.3	4.8	0.2

Source: INEGI

Entities with minor and major difference in the unemployment rate
 %, nsa



Source: INEGI

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