

Employment report – Slight decrease in October’s unemployment rate

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- **Unemployment rate (October; seasonally adjusted figures): 3.56%; Banorte-Ixe: 3.96%; consensus: 3.9% (range of estimates: 3.8% to 4.0%); previous: 3.9%**
- **Part-time workers: 7.7% (previous: 6.8%); participation rate: 59.6% (previous: 59.6%; seasonally adjusted figures)**
- **Looking ahead, we expect a higher unemployment rate as a result of the uncertainty surrounding the growth prospects of the Mexican economy**
- **Nayarit stands out as the federal entity with the largest reduction in its unemployment rate for the third consecutive month**

Slight decrease in October’s unemployment rate. According to *INEGI’s* report published today, the unemployment rate stood at 3.56% in October, above our 3.96% estimate (Bloomberg’s median forecast: 3.9%). This number implies a 0.27%-pts contraction from September’s rate. Moreover, the participation rate decreased by 0.35%-pts, while the part-time workers rate grew to 7.7% from 6.8%, as shown in the table below.

Regarding the informal economy, the percentage of workers who are incorporated in the informal sector represents 27.3% of Mexico’s total workforce, which implies a 0.5%-pts expansion from September’s figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, grew by 0.5%-pts, and now represents 57.4% of the Mexican workforce.

INEGI’s employment report: October 2016

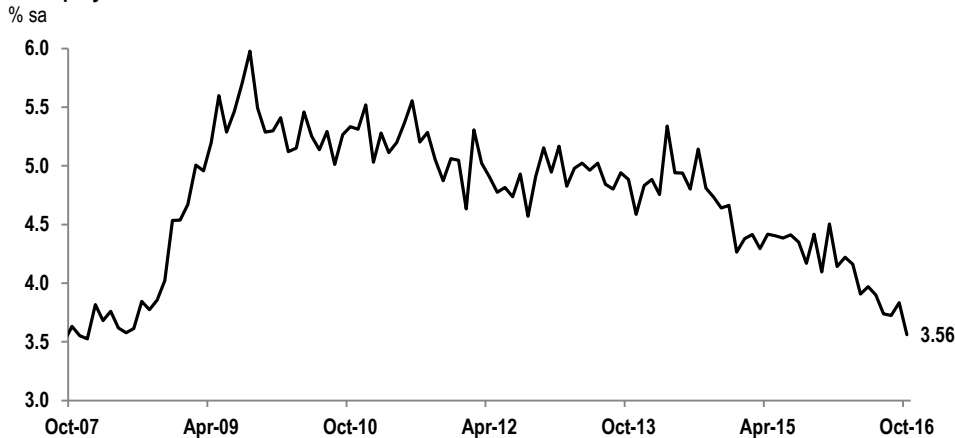
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%	Oct-16	Sep-16	Difference
Unemployment rate (EAP)	3.56	3.83	-0.27
Participation rate	59.59	59.94	-0.35
Part-time workers rate	7.73	6.84	0.89
Employment in the informal economy	27.29	26.79	0.50
Informal employment	57.41	56.91	0.50

Source: INEGI

Document for distribution among public

Unemployment rate: October 2016



Source: INEGI

Looking ahead, we expect a higher unemployment rate as a result of the uncertainty surrounding the growth prospects of the Mexican economy.

Today’s employment report suggests a slightly more negative outlook for the Mexican labor market during October, given that although the unemployment rate edged down, the participation rate decreased and the part-time workers rate increased.

On top of this, looking ahead, we believe that the unemployment rate will increase. 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 addition, the US election outcome has caused uncertainty around the growth prospects of the Mexican economy, which in turn, will impact job creation in the coming months.

From our regional economy team

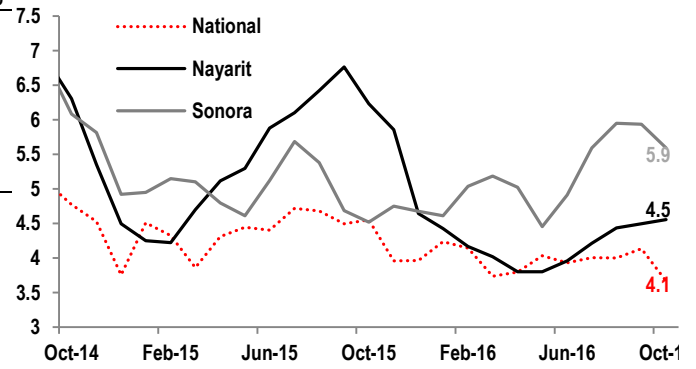
Nayarit stands out as the federal entity with the largest reduction in its unemployment rate for the third consecutive month. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.7pp reduction in Nayarit’s unemployment rate during October, which stood at 4.6%. With these figures, this entity continues to show better growth dynamics within the labor market than the other 31 states. However, year-to-date the unemployment rate in this state stands at 4.2%, slightly above the 4% national average. In this context, the reduction in October’s unemployment rate was accompanied by a 4% yoy increase in the job creation within the formal economy.

In addition, in Oaxaca, Morelos, Jalisco, and Hidalgo, the labor market has improved substantially vs. October 2015 with significant declines in the unemployment rate. However, in Sonora, Campeche, Baja California Sur, Tabasco, and Durango, the unemployment rate increased from the one obtained in October’15, as shown in the following table.

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

	Oct-16	Oct-15	Difference	Jan-Oct, '16
Nayarit	4.6	6.2	-1.7	4.2
Oaxaca	1.8	3.5	-1.6	2.1
Morelos	2.3	3.9	-1.6	2.8
Jalisco	3.5	4.9	-1.4	3.9
Hidalgo	2.8	4.2	-1.4	3.2
Sonora	5.6	4.5	1.1	5.2
Campeche	4.3	3.6	0.7	3.5
Baja California Sur	5.2	4.8	0.5	4.6
Tabasco	7.6	7.2	0.4	7.5
Durango	4.8	4.5	0.3	4.7

Source: INEGI



Source: INEGI

We highlight Guerrero's 1.6% unemployment rate, being the lowest showed of the 32 federal entities in October. However, on the other hand, Tabasco's unemployment rate stands at 7.6% being the highest rate registered of the country.

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