

# Increase in the unemployment rate in June

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- **Unemployment rate (June; seasonally adjusted figures): 3.39%; Banorte: 3.20%; consensus: 3.25%; previous: 3.19%**
- **Part-time workers: 6.84% (previous: 7.06%); participation rate: 59.65% (previous: 59.82%; seasonally adjusted figures)**
- **We consider that the results of this report are negative, given the increase in the unemployment rate coupled with the fall in the participation rate**
- **Looking ahead, we expect that the unemployment rate will remain at similar levels in the coming months**
- **Queretaro and Colima stands out as the federal entities with the largest reduction in its unemployment rate in Jun '18 vs. Jun '17**

**Considerable increase in the unemployment rate in June.** According to INEGI's report published today, the unemployment rate stood at 3.39% in June, above our 3.20% forecast (*Bloomberg's* median forecast: 3.25%). This number implies a 0.19%-pts expansion from May's rate.

Moreover, the participation rate stands at 59.65% from 59.82%. However, the part-time workers rate decreased to 6.84% from 7.06%, as shown in the table below. All in all, we consider that the results of this report are negative, given the considerable increase in the unemployment rate coupled with the fall in the participation rate. However, it is worth noting that the unemployment rate remains at significantly low levels, which continues to be positive for the Mexican economy.

Regarding the informal economy, May's results show no change in comparison with April, given that the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, still represents 56.88% of the Mexican workforce. However, the percentage of workers who are incorporated in the informal sector now amounts to 27.01% of Mexico's total labor force, which implies a 0.47%-pts contraction from April's revised figures.

**INEGI's employment report: June 2018**

Seasonally adjusted figures

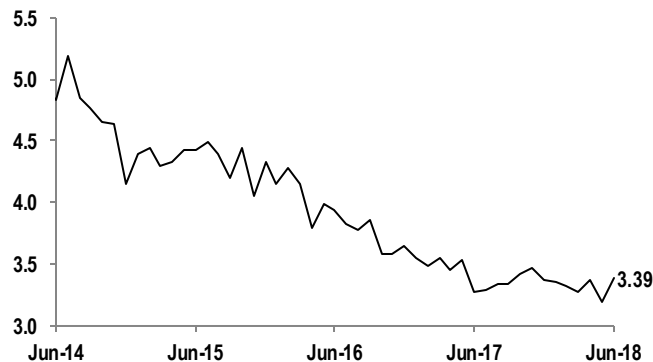
%	Jun-18	May-18	Difference
<b>Unemployment rate</b>	3.39	3.19	0.19
<b>Participation rate</b>	59.65	59.82	-0.17
<b>Part-time workers rate</b>	6.84	7.06	-0.22
<b>Informal employment<sup>1</sup></b>	56.91	56.87	0.03
<b>Working in the informal economy</b>	27.26	27.02	0.24
<b>Working in the formal economy</b>	29.64	29.85	-0.21

Source: INEGI

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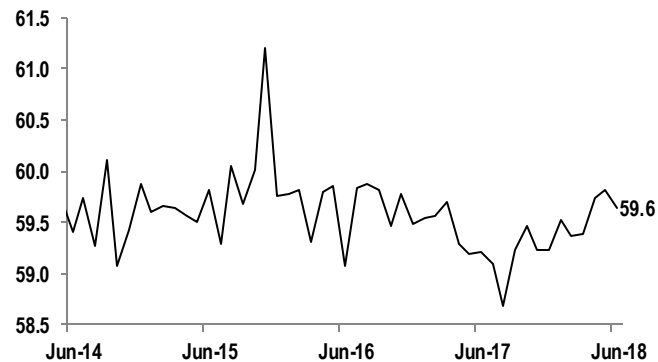
<sup>1</sup> Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, workers in the formal economy do pay some form of income tax

**Unemployment rate**  
% sa



Source: Banorte with data from INEGI

**Participation rate**  
% sa



Source: Banorte with data from INEGI

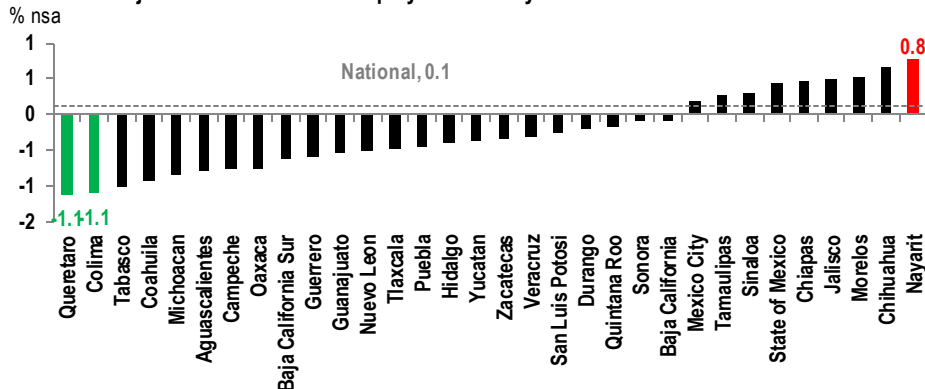
**Looking ahead, we expect that the unemployment rate will remain at similar levels in the coming months.** We believe that unemployment will remain at similar levels given the dynamism in the services sector, which continues to be the main driver of growth for the Mexican economy. In addition, we expect activity in the industrial sector to continue to support the labor market, particularly jobs in the manufacturing sector.

*At a regional level*

**Queretaro and Colima’s unemployment rate registered the largest annual decrease during the sixth month of the year.** Analyzing the non-seasonally figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.1pp annual reduction in Queretaro and Colima’s unemployment rate, which now stands at 3.8% and 2.6% respectively. In this context, the reduction in Queretaro’s unemployment rate was partially explained by a 4.3% yoy increase in formal job creation, with the support of the *National Service of Employment Programs* through job boards and fairs, and the arrival of new companies that manufacture transportation equipment. In addition, the reduction in Colima’s unemployment rate was explained by the support of the *National Service of Employment Programs* through job boards and fairs.

Moreover, we highlight that the unemployment rate in 23 out of the 32 states that make up the Mexican Republic showed a greater reduction than the one observed at the national level, as shown in the following graph.

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



Source INEGI:

In addition, in Tabasco, Coahuila, and Michoacan the labor market has improved substantially with significant declines in their unemployment rate. However, in Nayarit, Chihuahua, Morelos, Jalisco, and Chiapas the unemployment rate have substantially increased since June '17, as shown in the following table.

### Unemployment rate by state – June 2018

%; nsa

	Jun-18	Jun-17	Jan-Jun '18	Difference
Queretaro	3.8	4.9	3.7	-1.1
Colima	2.6	3.7	3.1	-1.1
Tabasco	6.4	7.4	7.1	-1.0
Coahuila	4.1	5.0	3.9	-0.9
Michoacan	2.0	2.8	2.1	-0.8
Aguascalientes	3.5	4.3	3.7	-0.8
Campeche	3.2	4.0	2.8	-0.8
Oaxaca	1.3	2.1	1.3	-0.8
Baja California Sur	3.3	3.9	3.6	-0.6
Guerrero	0.8	1.4	1.2	-0.6
Guanajuato	3.4	3.9	3.5	-0.5
Nuevo Leon	3.4	3.9	3.6	-0.5
Tlaxcala	3.1	3.6	3.4	-0.5
Puebla	2.8	3.2	2.3	-0.4
Hidalgo	2.6	3.0	2.8	-0.4
Yucatan	1.5	1.9	1.7	-0.4
Zacatecas	2.5	2.9	3.1	-0.4
Veracruz	3.1	3.4	3.1	-0.3
San Luis Potosi	2.4	2.7	2.6	-0.3
Durango	3.8	4.0	4.1	-0.2
Quintana Roo	2.5	2.7	2.7	-0.2
Sonora	3.7	3.8	3.6	-0.1
Baja California	2.7	2.8	2.3	-0.1
<b>National</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>0.1</b>
Mexico City	5.1	4.9	4.2	0.2
Tamaulipas	3.8	3.5	3.9	0.3
Sinaloa	3.9	3.6	3.0	0.3
State of Mexico	4.1	3.7	4.3	0.4
Chiapas	2.9	2.4	2.4	0.5
Jalisco	3.0	2.5	2.5	0.5
Morelos	2.1	1.6	2.0	0.5
Chihuahua	3.4	2.8	3.5	0.7
Nayarit	4.2	3.5	3.7	0.8

Source: INEGI

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