

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

- **Formal employment (May): 20,334 new jobs; May 2015: -7,455**
- **The services sector generated 26,107 new jobs, while industrial activities added 35,497 jobs in May**
- **We believe that the formal labor market will continue to maintain a favorable performance throughout the year**
- **For the fifth consecutive month Quintana Roo stands out as the federal entity with the highest creation of formal jobs**

According to the Ministry of Labor, 20,334 new formal jobs were created in May. This figure was significantly higher than the loss of 7,455 formal jobs in May 2015. Taking a look at the breakdown, 55,022 of the jobs created in May were permanent, while 34,688 short-term jobs were lost. However, we highlight that May'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, 373,769 new formal jobs have been created, above the 356,273 jobs created in the same period of 2015. Moreover, 76.3% of the total job creation has been permanent (labor contracts made for an indefinite period of time).

Services generated 26,107 new jobs, while industrial activities added 35,497 jobs. We highlight the creation of 22,630 new formal jobs within the manufacturing industry, given that it was the largest contributor to total employment in May. Moreover, construction added 13,321 jobs and the mining industries generated 326 jobs.

In addition, trade added 13,479 new jobs; while “personal, firms, and household's services” subsector generated 6,729 formal jobs. Primary activities lost 41,270 jobs in May, given the seasonal effect of Mexico's agricultural cycle. Year-to-date, the industrial sector has generated 60.1% of the total job creation, while the services sector has contributed to 42%, and the primary activities has lost 2.1% of the total formal workforce.

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www.banorte.com
www.ixe.com.mx
@analisis_fundam

Alejandro Cervantes

Senior Economist, Mexico
alejandro.cervantes@banorte.com

Miguel Calvo

Economist, Regional and Sectorial
miguel.calvo@banorte.com

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Formal job creation by sector: May 2016

	May-16	May-15	Jan-May, '16
Total	20,334	-7,455	373,769
Permanent jobs	55,022	37,968	285,103
Temporary jobs	-34,688	-45,423	88,666
Urban workers	3,950	-3,618	111,298
Farmworkers	-38,638	-41,805	-22,632
By economic sector			
Primary activities	-41,270	-40,849	-7,795
Industrial activity	35,497	20,952	224,508
Mining	326	323	-94
Manufactures	22,630	17,542	145,335
Construction	13,321	2,770	80,750
Utilities	-780	317	-1,483
Services	26,107	12,442	157,056
Trade	13,479	8,828	16,511
Communications and transportation	3,039	3,323	20,369
Personal, firms, and household's services	6,729	2,456	63,907
Social and community services	2,860	-2,165	56,269

Source: Ministry of Labor

We believe that the formal labor market will maintain a favorable performance. Employment in the manufacturing sector continues to grow despite the deceleration of the Mexican manufacturing industry. Moreover, employment within the services has shown a favorable performance, adding 157,056 new jobs in the first five months of the year. All of the above mentioned factors imply that the pace of growth in domestic demand will remain relatively stable. Looking ahead, we believe that the better growth prospects of Mexico's labor market will result in a higher growth of private consumption.

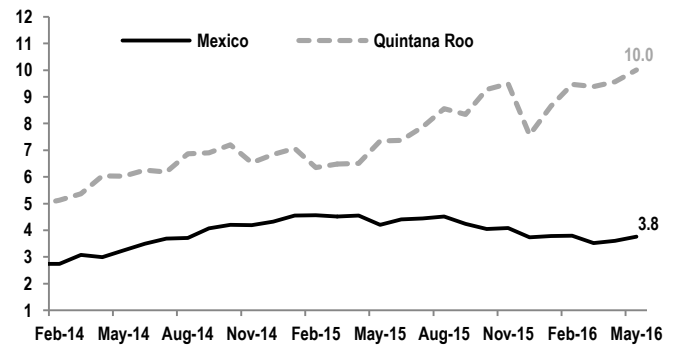
From our regional economist

For the fifth consecutive month Quintana Roo stands out as the federal entity with the highest creation of formal jobs. Quintana Roo stands again as the entity that achieved the highest growth of formal employment in May (10%), with the creation of 3,224 new jobs. Other states that outperformed the national average were Baja California Sur (8.2%), Aguascalientes (7.7%), Querétaro (7.6%), and Tlaxcala with 6.2% yoy. Moreover, year-to-date, Quintana Roo has achieved a creation of 21,808 formal jobs. Taking a look at the breakdown, 36% of the 3,224 formal jobs created were permanent, while the rest were short-term jobs. We believe that tourism sector continues to be the main generator of formal jobs, especially with the investment made in municipalities like Benito Juárez, Isla Mujeres and Solidaridad; mainly in hotels like Dreams Playa Mujeres, Hard Rock, and the extension of Moon Palace Hotel. The accelerated growth in hotel services has extended to other tourism services, such as restaurants and retail stores. We believe that the entity will continue to outperform the national average.

States with the highest formal job creation: May 2016

	May-16	% annual	Jan-May, '16
Total nacional	20,334	3.8	373,769
Quintana Roo	3,224	10.0	21,808
Baja California Sur	2,061	8.2	8,562
Aguascalientes	664	7.7	11,872
Querétaro	1,994	7.6	24,191
Tlaxcala	747	6.2	2,991

Formal employment: Mexico vs. Quintana Roo
% yoy



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Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Víctor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate	valentin.mendoza@banorte.com	(55) 1670 - 2250

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454