

# Employment report – Labor market fully recovers in 2016

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- **Unemployment rate (December; seasonally adjusted figures): 3.68%; Banorte-Ixe: 3.71%; consensus: 3.65% (range of estimates: 3.54% to 3.83%); previous: 3.71%**
- **Unemployment rate reached a 3.88% average in 2016, its lowest level since 2007**
- **In addition, 732.6 thousand formal new jobs were created in 2016, reaching a new record high**
- **Looking ahead, we expect a higher unemployment rate as a result of the uncertainty surrounding the growth prospects of the Mexican economy**

**Unemployment rate reached its lowest level since 2007.** According to INEGI's report published today, the unemployment rate stood at 3.68% in December, marginally below our 3.71% estimate (Bloomberg's median forecast: 3.65%). This number implies a 0.03%-pts contraction from November's rate. We highlight that the unemployment rate reached a 3.88% average in 2016, its lowest level since 2007. In addition, the participation rate decreased by 0.16%-pts throughout 2016, while the part-time workers rate fell to 7.6% from 8.3%, as shown in the table below.

Regarding the informal economy, the percentage of workers who work in the informal sector represented 27.1% of Mexico's total workforce in 2016, which implies a 0.34%-pts reduction from 2015's figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, fell by 0.6%-pts in 2016, and now represents 57.3% of the Mexican workforce.

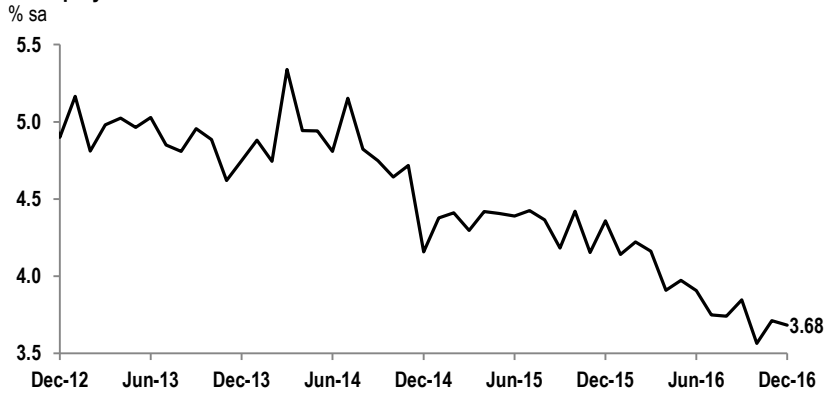
**INEGI's employment report: December 2016**

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%	Jan-Dec'16	Jan-Dec'15	Difference
Unemployment rate (EAP)	3.88	4.35	-0.47
Participation rate	59.66	59.81	-0.16
Part-time workers rate	7.64	8.34	-0.70
Employment in the informal economy	27.06	27.40	-0.34
Informal employment	57.27	57.88	-0.61

Source: INEGI

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### Unemployment rate: December 2016



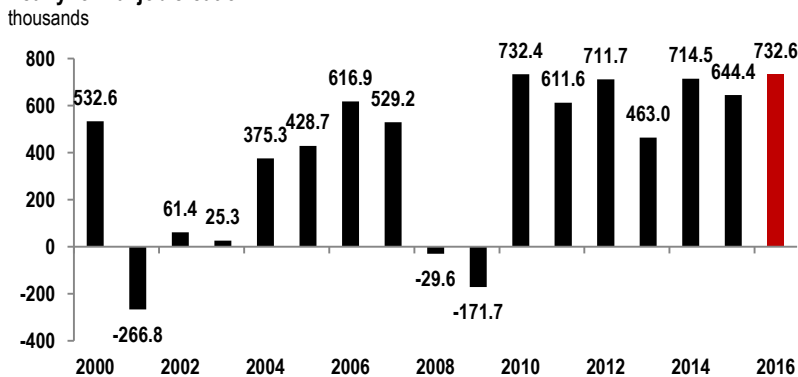
Source: INEGI

**During 2016, 732.6 thousand new jobs were created, reaching a new record high.** According to the Ministry of Labor, 319 thousand formal jobs were lost in December (vs. -304 thousand in Dec'15). However, we highlight that the reduction in formal jobs was mainly explained by seasonal effects. The figure implies a cut of 175 thousand permanent jobs (labor contracts made for an indefinite period of time), along with 144 thousand less short-term jobs. With these figures, a new record high of 732.6 thousand new jobs were created in 2016, of which 649,761 were permanent jobs, while 82,830 were for short-term positions (refer to the chart below).

**By sectors, the industrial sector generated 263,182 new jobs in 2016, while the services sector created 427,283 jobs.** Taking a look at the breakdown, within the industrial sector, manufacturing added 221,208 positions, while construction jobs increased by 46,353 positions. However, mining and utilities subtracted 4,379 jobs.

Moreover, in the services sub-sector, the biggest gain came from personal, firms and household services (+203,122 jobs), followed by commerce, which generated 147,427 positions. Finally, the primary sector added 42,126 jobs throughout 2016.

### Yearly formal job creation



Source: Banorte-Ixe; STPS

**Formal employment report: December 2016**

	Dec-16	2016	2015
<b>Total</b>	<b>-319,217</b>	<b>732,591</b>	<b>644,446</b>
<b>Permanent jobs</b>	<b>-174,720</b>	<b>649,761</b>	<b>598,537</b>
<b>Temporary jobs</b>	<b>-144,497</b>	<b>82,830</b>	<b>45,909</b>
Urban	-158,028	69,240	34,823
Rural	13,531	13,590	11,086
<b>Monthly formal job creation by economic sector</b>			
<b>Primary activities</b>	<b>9,588</b>	<b>42,126</b>	<b>36,610</b>
<b>Industrial activities</b>	<b>-209,842</b>	<b>263,182</b>	<b>262,654</b>
Mining	-3,203	-1,503	-5,833
Manufacturing	-96,257	221,208	227,247
Construction	-110,946	46,353	41,838
Utilities	564	-2,876	-598
<b>Services</b>	<b>-118,963</b>	<b>427,283</b>	<b>345,182</b>
Commerce	-29,786	147,427	120,079
Communications and transportation	-5,032	53,117	51,043
Personal, firms, and household's services	-21,047	203,122	155,627
Social and community services	-63,098	23,617	18,433

Source: STPS with data from IMSS

**We expect a higher unemployment rate as a result of the uncertainty surrounding the growth prospects of the Mexican economy.** Looking ahead, we believe that the overall prospects of the Mexican labor market will deteriorate. In particular, the downward trend in public spending in 2017 will translate in a higher number of unemployed workers, and will also affect 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*

**Sinaloa stands out as the federal entity with the largest reduction in its unemployment rate in December 2016.** Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.6pp reduction in Sinaloa's unemployment rate during December, which stood at 2.7%, its the lowest rate observed since June'08. With these figures, this entity continues to show better growth dynamics within the labor market than the other 31 states. Moreover, year-to-date the unemployment rate in this state stands at 3.8%, practically in line with the national average. In this context, the reduction in December's unemployment rate in the entity was accompanied by a 6.3% yoy increase in the job creation within the formal economy.

In addition, in Tlaxcala, Zacatecas, Baja California, and Nayarit, the labor market has improved substantially vs. December 2015 with significant declines in their unemployment rates. However, in Campeche, Nuevo Leon, Queretaro, Tabasco, and Quintana Roo, the unemployment rates substantially have increased since December'15, as shown in the following table.

**Entities with minor and major changes in the unemployment rate: Entities with minor and major difference in the unemployment rate**

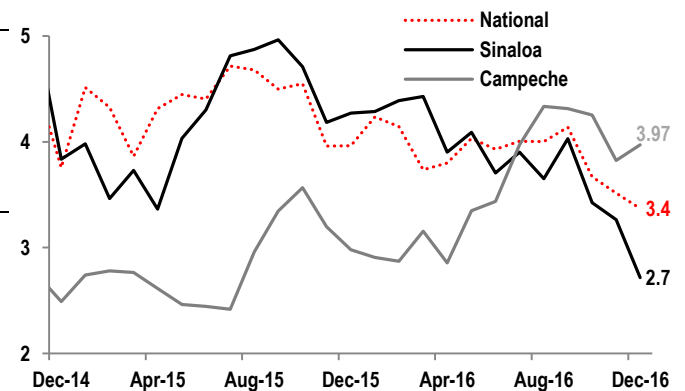
**December-2016**

%, nsa

	Dec-16	Dec-15	Difference	Jan-Dec, '16
Sinaloa	2.7	4.3	-1.6	3.8
Tlaxcala	3.4	4.9	-1.5	4.2
Zacatecas	2.1	3.6	-1.5	3.0
Baja California	2.2	3.6	-1.4	2.7
Nayarit	3.5	4.6	-1.1	4.1
Campeche	4.0	3.0	1.0	3.6
Nuevo Leon	4.2	3.8	0.4	4.2
Queretaro	4.7	4.6	0.0	4.5
Tabasco	7.6	7.6	0.0	7.6
Quintana Roo	3.7	3.7	0.0	3.1

Source: INEGI

%, nsa



Source: INEGI

We highlight Guerrero and Oaxaca’s 1.7% unemployment rate, being the lowest showed of the 32 federal entities in December. However, on the other hand, Tabasco’s unemployment rate stands at 7.6% being the highest rate registered of the country for the third consecutive month.

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