

Unemployment rate kept heading lower in February

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Juan Carlos Alderete, CFA
Senior Economist, Mexico
juan.alderete.macal@banorte.com

Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

Miguel Calvo
Regional Analyst
miguel.calvo@banorte.com

- **Unemployment rate (February; sa): 3.42%; Banorte: 3.52%; consensus: 3.54% (range of estimates: 3.40% to 3.66%); previous: 3.48%**
- **Part-time workers: 6.69% (previous: 6.72%); Participation rate: 59.47% (previous: 59.66%; sa)**
- **Today's report is positive given that the decline in the unemployment rate was accompanied by lower part-time workers, in spite of the decline in the participation rate**
- **After surging in December from 3.33% to 3.55%, the unemployment rate has moderated by an accumulated 13bps since the beginning of the year**
- **Despite of the latter, we maintain our view that the rate will be higher when compared to the previous year, with the pace of formal job creation still moderating**
- **Relative to the same period of 2018, Chihuahua stood out as the federal entity with the largest reduction in the unemployment rate**

A further improvement in the unemployment rate in February. According to INEGI's report, the rate stood at 3.42% in February (seasonally adjusted figures), below the 3.48% of the previous month and better than both our and the market's expectation. In this respect, this metric has accumulated a 13bps decline since surging last December, remaining significantly above this cycle low of 3.18% observed in May 2018. Considering today's results and revisions to past data, we believe today's report is positive in spite of a lower participation rate. The part-time workers rate –representing those willing to work additional hours–, improved from 6.72% to 6.69%. The participation rate ended at 59.47% from 59.66%. Regarding informality, the share of total workers in this situation increased when compared to the previous month, representing 57.73% of the total labor force. From this figure, those categorized as purely informal picked up 27bps to 27.73% (see table below for details).

INEGI's employment report: February 2019

Seasonally adjusted figures

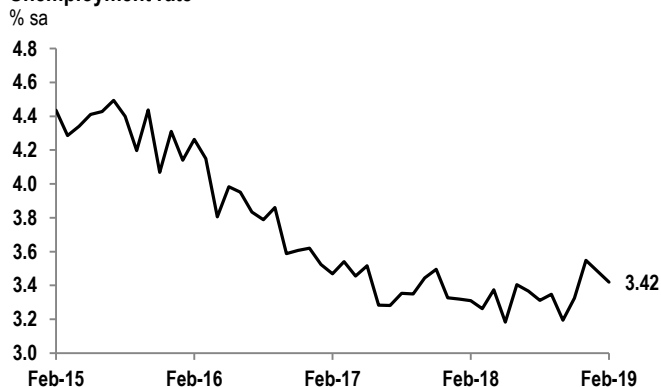
%	Feb-19	Jan-19	Difference
Unemployment rate	3.42	3.48	-0.06
Participation rate	59.47	59.66	-0.19
Part-time workers rate	6.69	6.72	-0.03
Formal employment	42.27	43.76	-1.48
Informal employment ¹	57.73	56.24	1.48
Working in the informal economy	27.73	27.47	0.27
Working in the formal economy	29.99	28.77	1.22

Source: INEGI

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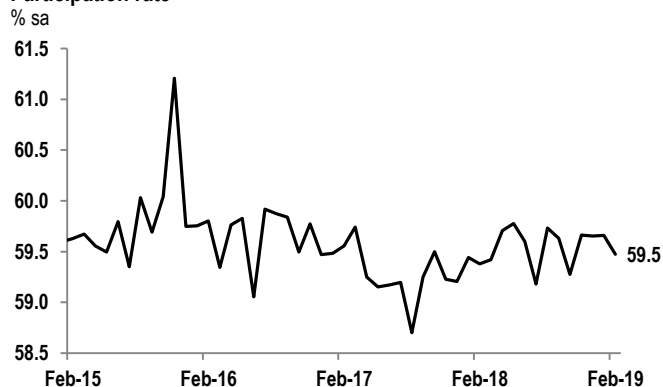
¹ Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, workers in the formal economy do pay some form of income tax

Unemployment rate



Source: Banorte with data from INEGI

Participation rate



Source: Banorte with data from INEGI

Despite its recent improvement, we believe unemployment will be higher in 2019 relative to the previous year.

Contrary to our expectations, the unemployment rate has ticked lower since surging last December. Despite of this, we reiterate our view that unemployment has reached its cycle low, given the trend lower in terms of the pace of job creation. Moreover, activity data so far is also consistent with a slowdown as portrayed by today's trade balance report for February, particularly for investment. Moreover, the risk of less dynamism in industrial activity remains elevated given performance figures observed in most economies globally.

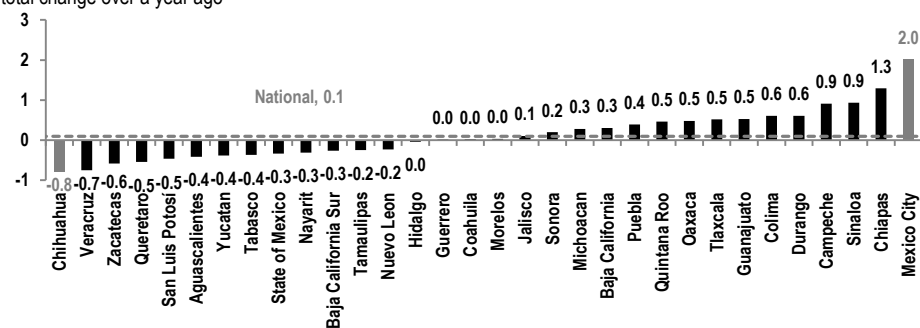
On a more positive note, the recent fall in unemployment is positive for consumption, especially if considered also with the recent increase in minimum wages and faster-than-expected decline in headline inflation that supports growth in real income. Given the recent trend we do not discard further decreases in the unemployment rate, although we remain convinced that the average level will be higher than the one observed in the previous year.

At the state level

Relative to the same period of 2018, Chihuahua stood out as the federal entity with the largest reduction in the unemployment rate. Analyzing non-seasonally adjusted figures (given that sa data for the federal entities are highly volatile), we highlight the 0.8pp annual reduction in Chihuahua's unemployment rate, from 3.4% in February 2018 to 2.6% in the current month, its lowest level of the last four months. This reduction was partially explained by the support of the *National Service of Employment Programs* particularly employment boards and web pages, where 5,769 people were attended of which 339 were placed into new jobs. Moreover, we note 17 out of the 32 states showed a sharper reduction in unemployment than at the national level, as shown in the following graph.

Minor and major difference in the unemployment rate by state: February 2019

total change over a year ago



Source INEGI:

The labor market in Veracruz, Zacatecas, Queretaro, and San Luis Potosi has improved substantially, all of them with significant declines in the unemployment rate. However, Mexico City (widest spread between Feb'19 vs. Feb '18), Chiapas, Sinaloa, Campeche, and Durango have worsened. Last but not least, the lowest level of the unemployment rate was observed in Guerrero (1.4%), figure that remained unchanged with respect to the same month of the previous year. Moreover, Tabasco continuous recording the highest level of the country (7.8%) –refer to the following table–.

Unemployment rate by state – February 2019

%, nsa

	Feb-19	Feb-18	Jan-Feb'19	Difference
Chihuahua	2.6	3.4	2.5	-0.8
Veracruz	2.4	3.2	2.5	-0.7
Zacatecas	3.0	3.6	2.9	-0.6
Queretaro	3.2	3.7	3.4	-0.5
San Luis Potosi	2.4	2.8	2.3	-0.5
Aguascalientes	3.4	3.8	3.4	-0.4
Yucatan	1.7	2.1	1.6	-0.4
Tabasco	7.8	8.2	7.8	-0.4
State of Mexico	4.2	4.6	4.2	-0.3
Nayarit	3.3	3.6	3.4	-0.3
Baja California Sur	3.2	3.4	3.1	-0.3
Tamaulipas	3.8	4.1	3.7	-0.2
Nuevo Leon	3.3	3.5	3.3	-0.2
Hidalgo	2.2	2.3	2.3	0.0
Guerrero	1.4	1.4	1.5	0.0
Coahuila	3.9	3.8	3.8	0.0
Morelos	1.8	1.8	1.9	0.0
National	3.3	3.2	3.4	0.1
Jalisco	2.4	2.3	2.4	0.1
Sonora	4.3	4.1	4.3	0.2
Michoacan	2.4	2.1	2.5	0.3
Baja California	2.4	2.1	2.5	0.3
Puebla	2.8	2.4	2.7	0.4
Quintana Roo	3.2	2.7	3.1	0.5
Oaxaca	1.8	1.3	2.0	0.5
Tlaxcala	4.0	3.5	4.0	0.5
Guanajuato	4.0	3.5	4.0	0.5
Colima	4.1	3.5	4.1	0.6
Durango	4.6	4.0	4.5	0.6
Campeche	3.5	2.6	3.6	0.9
Sinaloa	3.6	2.6	3.6	0.9
Chiapas	3.6	2.3	3.6	1.3
Mexico City	5.6	3.6	5.6	2.0

Source: INEGI

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
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
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Francisco Duarte Alcocer	Analyst, Global Economist	francisco.duarte.alcocer@banorte.com	(55) 1103 - 4000 x 2707
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
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials / Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts / Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@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
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454