

Employment report – Unemployment rate maintains a downward trend

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- **Unemployment rate (July; seasonally adjusted figures): 3.75%; Banorte-Ixe: 4.02%; consensus: 4% (range of estimates: 3.9% to 4.2%); previous: 3.9%**
- **Part-time workers: 7.8% (previous: 7.8%); participation rate: 59.8% (previous: 59%; seasonally adjusted figures)**
- **Looking ahead, we believe that the unemployment rate will oscillate around current levels throughout the year**
- **Baja California stands out as the federal entity with the largest reduction in its unemployment rate for the third consecutive month**

Unemployment rate maintains a downward trend. According to *INEGI's* report published today, the unemployment rate stood at 3.75% in July, below our 4.02% forecast (consensus: 4%). This number implies a 0.15%-pts. reduction from June's rate. In this regard, we highlight that with today's figure, the unemployment rate achieved its lowest level since the financial crisis hit in September 2008. Moreover, the participation rate increased by 0.83%-pts, while the part-time workers rate decreased 0.01%-pts, as shown in the table below.

Regarding the informal economy, the percentage of workers who are incorporated in the informal sector represents 26.9% of Mexico's total workforce, which implies a marginal 0.02%-pts increase from June's figure. Finally, the percentage of informal workers –either in the formal or in the informal economy–, increased by 0.21%-pts, and now represents 51.7% of the Mexican workers.

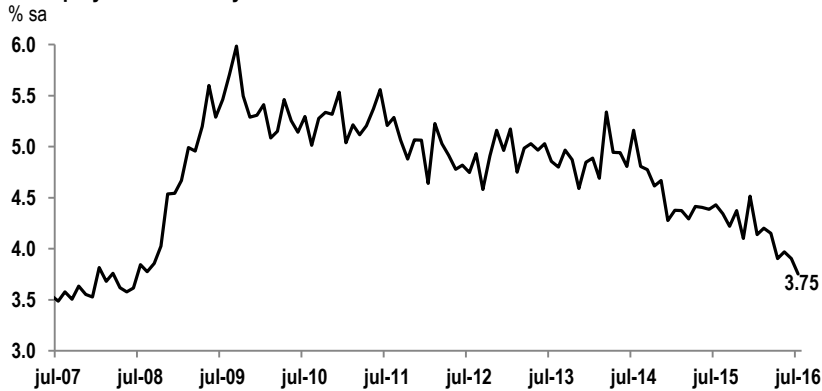
INEGI's employment report: July 2016

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%	Jul-16	Jun-16	Difference
Unemployment rate (EAP)	3.75	3.90	-0.15
Participation rate	59.83	59.0	0.83
Part-time workers rate	7.83	7.84	-0.01
Employment in the informal economy	26.94	26.92	0.02
Informal employment	57.10	56.89	0.21

Source: INEGI

Document for distribution among public

Unemployment rate: July 2016



Source: INEGI

Looking ahead, we believe that the unemployment rate will oscillate around current levels throughout the year. Today’s employment report suggests a more positive outlook for the Mexican labor market during July, as the unemployment rate fell even though a higher percentage of workers joined the labor force.

Looking ahead, we believe that the unemployment rate will oscillate around current levels. 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 the aggregate, it is likely that the labor market will continue to grow, but at a slower pace given the fiscal cuts that the Federal Government will continue to implement throughout the second half of the year.

From our regional economy team

Baja California 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 2.5pp reduction in the unemployment rate in Baja California during July, which stood at 2.3%. With these figures, this entity continued to show better growth dynamics within the labor market than the other 31 states. Year-to-date, the unemployment rate in this state stands at 2.8%, below the 4% national average. In this context, we highlight that in July, formal employment in this state increased 4.3% yoy, with 40,236 jobs created year-to-date.

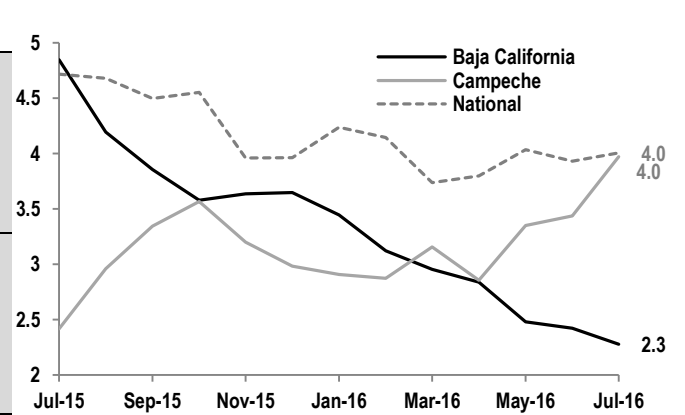
Additionally, in Nayarit, Jalisco, Queretaro, and Nuevo Leon, the labor market has improved substantially vs. July 2015 with significant declines in the unemployment rate. However, in Campeche, Tabasco, Durango, Chihuahua, and Guerrero, the unemployment rate increased from the one obtained in July’15, as shown in the following table.

Entities with minor and major changes in the unemployment rate: July-2016

	Jul-16	Jul-15	Jan-Jul, '16	Difference
Baja California	2.3	4.8	2.8	-2.6
Nayarit	4.2	6.1	4.1	-1.9
Jalisco	3.6	5.4	4.0	-1.8
Queretaro	4.5	5.8	4.6	-1.3
Nuevo Leon	3.9	5.1	4.1	-1.2
Campeche	4.0	2.4	3.2	1.6
Tabasco	7.7	6.4	7.5	1.3
Durango	5.0	4.6	4.5	0.4
Chihuahua	3.7	3.6	3.4	0.1
Guerrero	2.2	2.2	2.3	0.0

Source: INEGI

Entities with minor and major difference in the unemployment rate



Source: INEGI

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