

Employment report – Slightly increase in unemployment rate

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@analisis_fundam

Miguel Calvo
Regional and Sectorial Analyst
miguel.calvo@banorte.com

- **Unemployment rate (August; seasonally adjusted figures): 3.29%; Banorte-Ixe: 3.27%; consensus: 3.28%; previous: 3.24%**
- **Part-time workers: 6.81% (previous: 6.41%); participation rate: 58.77% (previous: 59.09%; seasonally adjusted figures)**
- **Looking ahead, we expect unemployment rate to oscillate around these levels in the second half of the year, given the lower uncertainty around the Mexican economy**
- **Sonora stands out as the federal entity with the largest reduction in its unemployment rate**

Slight increase in unemployment rate. According to *INEGI's* report published today, the unemployment rate stood at 3.29% in August, practically in line with our forecast (*Bloomberg's* median forecast: 3.28%). This number implies a marginal 0.05%-pts advance from July's rate. Moreover, the part-time workers rate increased to 6.81% from 6.41%, while the participation rate fell to 58.77% from 59.09%, as shown in the table below.

Regarding the informal economy, August's results also increased. The percentage of workers who are incorporated in the informal sector represents 26.9% of Mexico's total workforce, which implies a 0.2%-pts increase from July's figure. Moreover, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, represents 57.02% of the Mexican workforce, which implies a 0.12%-pts reduction from last month's figure.

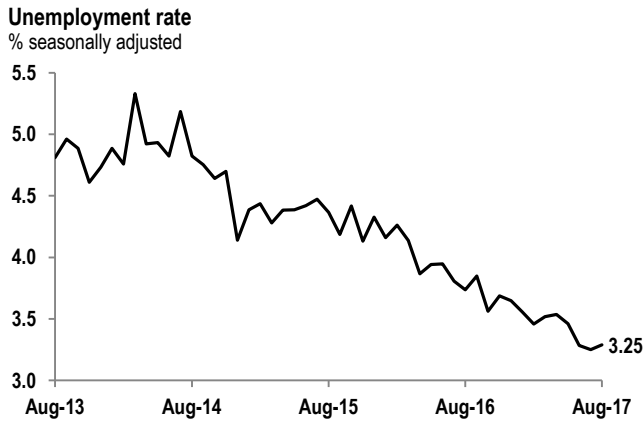
INEGI's employment report: August 2017

Seasonally adjusted

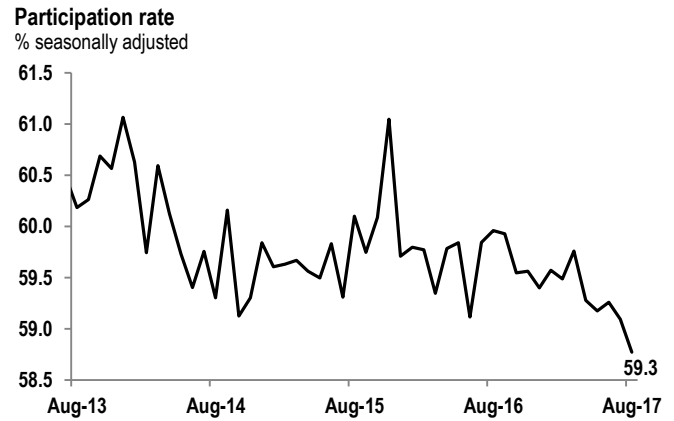
%	Aug-17	Jul-17	Difference
Unemployment rate	3.29	3.25	0.04
Participation rate	58.77	59.09	-0.32
Part-time workers rate	6.81	6.41	0.39
Employment in the informal economy	26.69	26.49	0.20
Informal employment	57.02	57.14	-0.12

Source: INEGI

Document for distribution among public



Source: Banorte-Ixe with data from INEGI



Source: Banorte-Ixe with data from INEGI

Looking ahead, we expect unemployment rate to oscillate around these levels in the second half of the year. We believe that unemployment will remain around these levels in the following months, as a result of lower uncertainty regarding the future performance of the Mexican economy, given a lower probability of drastic changes to the US commercial policy. However, we foresee that this will be partially offset by the downward trend in public spending, which has already translated in a higher number of unemployed workers.

Regional analysis

Sonora stands out as the federal entity with the largest reduction in its unemployment rate. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.8pp annual reduction in Sonora's unemployment rate, which stood at 4.2%. Moreover, unemployment rate in Sonora stands at 3.7% YTD. In this context, the reduction in August's unemployment rate in the entity was accompanied by a 4.3% yoy increase in the job creation within the formal economy.

In addition, in Durango, the State of Mexico, Morelos, and Guanajuato, the labor market has improved substantially vs. August 2016, with significant declines in their unemployment rates. However, in Yucatán, Queretaro, Mexico City, Baja California, and Quintana Roo, the unemployment rates have substantially increased since August'16, as shown in the following table.

Finally, as we can see in the following chart, the unemployment rate in Sonora has showed an upward trend since February 2016. Moreover, in Yucatan,

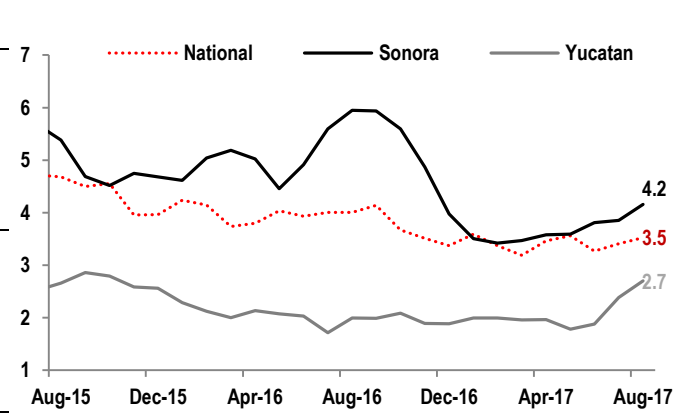
unemployment rate doesn't show signs of recovery as it continues with an upward trend but below the national rate.

Entities with minor and major changes in the unemployment rate: August-2017

	Aug-17	Aug-16	Difference	Jan-Aug. '17
Sonora	4.2	6.0	-1.8	3.7
Durango	3.6	5.3	-1.7	3.8
State of Mexico	3.9	5.5	-1.6	4.1
Morelos	1.9	3.0	-1.2	1.7
Guanajuato	2.7	3.8	-1.2	3.5
Yucatán	2.7	2.0	0.7	2.1
Querétaro	4.5	4.0	0.5	4.3
Mexico City	5.0	4.6	0.4	4.3
Baja California	3.1	2.7	0.4	2.8
Quintana Roo	3.4	3.0	0.4	3.1

Source: INEGI

Entities with minor and major difference in the unemployment rate



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
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
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
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 Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist 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
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
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	Analyst, 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