

Sharp decrease in the unemployment rate in May

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- **Unemployment rate (May; seasonally adjusted figures): 3.17%; Banorte: 3.38%; consensus: 3.36%; previous: 3.37%**
- **Part-time workers: 7.09% (previous: 6.88%); participation rate: 59.80% (previous: 59.73%; seasonally adjusted figures)**
- **We consider that the results of this report are positive, given the considerable fall in the unemployment rate coupled with the increase in the participation rate**
- **Looking ahead, we expect that the unemployment rate will remain at slightly higher levels in the following months**
- **Campeche stands out as the federal entity with the largest reduction in its unemployment rate in May '18 vs. May '17**

Sharp decrease in the unemployment rate in May. According to *INEGI's* report published today, the unemployment rate stood at 3.17% in May, below our 3.38% forecast (*Bloomberg's* median forecast: 3.36%). This number implies a 0.20%-pts contraction from April's rate.

Moreover, the participation rate stood at 59.80% from 59.72%. However, the part-time workers rate increased to 7.09% from 6.88%, as shown in the table below. All in all, we consider that the results of this report are positive, given the considerable fall in the unemployment rate coupled with the increase in the participation rate.

Regarding the informal economy, May's results show no change in comparison with April, given that the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, still represents 56.88% of the Mexican workforce. However, the percentage of workers who are incorporated in the informal sector now amounts to 27.01% of Mexico's total labor force, which implies a 0.47%-pts contraction from April's revised figures.

INEGI's employment report: May 2018

Seasonally adjusted figures

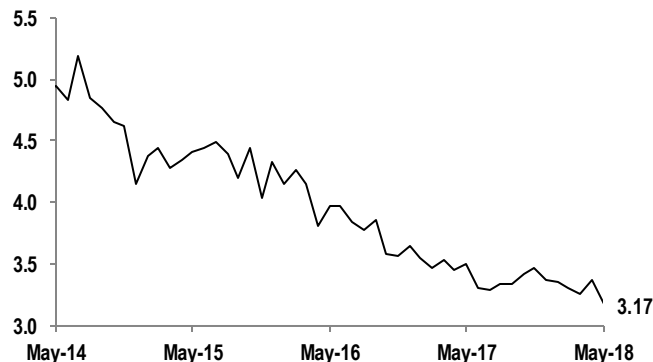
%	May-18	Apr-18	Difference
Unemployment rate	3.17	3.37	-0.20
Participation rate	59.80	59.73	0.07
Part-time workers rate	7.09	6.88	0.21
Informal employment¹	56.88	56.88	0.00
Working in the informal economy	27.01	27.48	-0.47
Working in the formal economy	29.87	29.40	0.47

Source: INEGI

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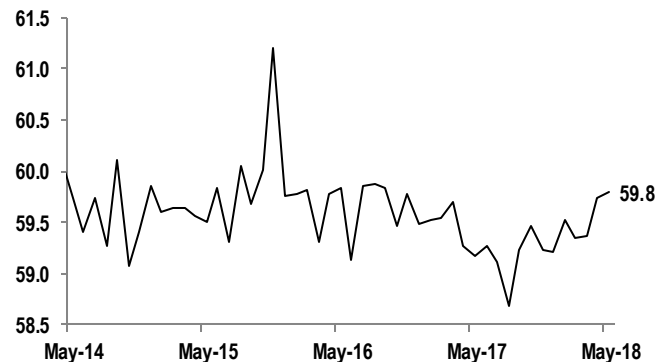
¹ Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, workers in the formal economy do pay some form of income tax

Unemployment rate
% sa



Source: Banorte with data from INEGI

Participation rate
% sa



Source: Banorte with data from INEGI

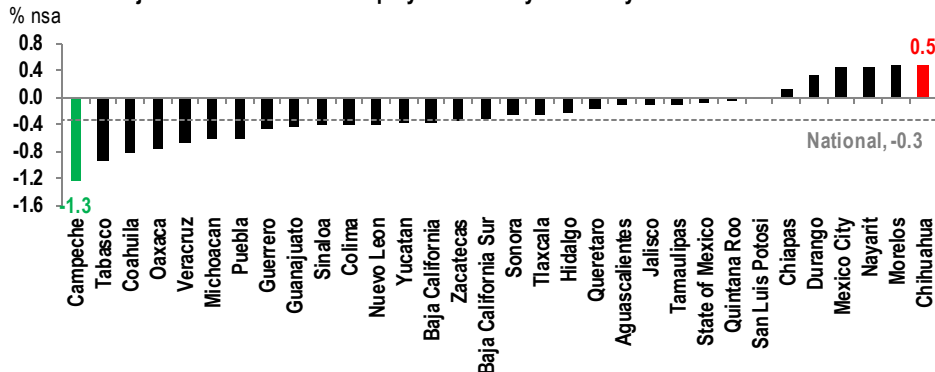
Looking ahead, we expect that the unemployment rate will remain at similar levels in the second quarter of the year. We believe that unemployment will remain at similar levels given the better growth prospects of the construction sector. In addition, we expect manufacturing employment to continue to rise given the expected depreciation of the MXN given the uncertainty related to the renegotiation of NAFTA and the upcoming electoral process. Moreover, we consider that the strength of the services sector will continue to support the labor market.

At a regional level

Campeche's unemployment rate registered the largest annual fall during the fifth month of the year. Analyzing the non-seasonally figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.3pp annual reduction in Campeche's unemployment rate, which now stands at 2.7%. In this context, the reduction in the state's unemployment rate was partly explained by a 4.3% yoy increase in formal jobs, with the support of *Programs of the National Employment Service* through job boards and fairs, among others.

Moreover, we highlight that the unemployment rate in 15 out of the 32 entities that make up the Mexican Republic showed a greater reduction than the one observed at the national level, as shown in following graph.

Minor and major difference in the unemployment rate by state: May 2018



Source: INEGI

In addition, in Tabasco, Coahuila, Oaxaca, and Veracruz the labor market has improved substantially with significant declines in their unemployment rate. However, in Chihuahua, Morelos, Nayarit, Mexico City, and Durango the unemployment rate have substantially increased since May'17, as shown in the following table.

Unemployment rate by state – May 2018

%; nsa

	May-18	May-17	Jan-May '18	Difference
Campeche	2.7	3.9	2.7	-1.3
Tabasco	6.2	7.2	7.3	-0.9
Coahuila	3.7	4.6	3.9	-0.8
Oaxaca	1.2	2.0	1.3	-0.8
Veracruz	3.1	3.8	3.0	-0.7
Michoacan	1.9	2.6	2.1	-0.6
Puebla	2.1	2.7	2.3	-0.6
Guerrero	1.0	1.5	1.2	-0.5
Guanajuato	3.4	3.9	3.5	-0.4
Sinaloa	3.2	3.6	2.8	-0.4
Colima	2.9	3.3	3.2	-0.4
Nuevo Leon	3.7	4.1	3.6	-0.4
Yucatán	1.4	1.8	1.8	-0.4
Baja California	2.4	2.7	2.2	-0.4
Zacatecas	2.6	3.0	3.2	-0.3
National	3.2	3.6	3.2	-0.3
Baja California Sur	3.6	3.9	3.6	-0.3
Sonora	3.3	3.6	3.6	-0.3
Tlaxcala	3.1	3.4	3.4	-0.3
Hidalgo	3.2	3.4	2.8	-0.2
Queretaro	4.0	4.1	3.6	-0.2
Aguascalientes	3.5	3.7	3.7	-0.1
Jalisco	2.5	2.6	2.3	-0.1
Tamaulipas	3.6	3.7	3.9	-0.1
State of Mexico	3.9	4.0	4.3	-0.1
Quintana Roo	2.5	2.6	2.7	-0.1
San Luis Potosi	2.4	2.5	2.7	0.0
Chiapas	2.5	2.3	2.3	0.1
Durango	4.2	3.9	4.1	0.3
Mexico City	5.0	4.5	4.1	0.4
Nayarit	3.7	3.2	3.5	0.5
Morelos	2.1	1.6	2.0	0.5
Chihuahua	3.5	3.0	3.5	0.5

Source: INEGI

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