

Employment report – Slight decrease in January’s unemployment rate

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- **Unemployment rate (January; seasonally adjusted figures): 3.57%; Banorte-Ixe: 3.74%; consensus: 3.73% (range of estimates: 3.53% to 3.8%); previous: 3.68%**
- **Part-time workers: 7.2% (previous: 6.9%); participation rate: 59.6% (previous: 59.4%; seasonally adjusted figures)**
- **Despite January’s better than expected report, we forecast a higher unemployment rate in the first half of the year as a result of the uncertainty surrounding the future performance of the Mexican economy**
- **Tlaxcala stands out as the federal entity with the largest reduction in its unemployment rate during January 2017**

Slight decrease in January’s unemployment rate. According to *INEGI’s* report published today, the unemployment rate stood at 3.57% in January, below our 3.74% estimate (Bloomberg’s median forecast: 3.73%). This number implies a 0.09%-pts contraction from December’s rate. Moreover, the participation rate increased by 0.16%-pts, while the part-time workers rate grew to 7.2% from 6.9%, as shown in the table below.

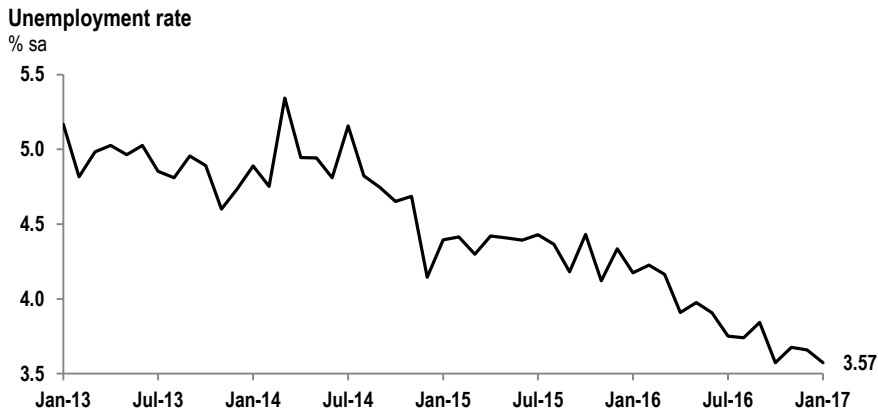
Regarding the informal economy, the percentage of workers who are incorporated in the informal sector represents 26.8% of Mexico’s total workforce, which implies a 0.3%-pts expansion from December’s figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, grew by 0.6%-pts, and now represents 57.2% of the Mexican workforce.

INEGI’s employment report: January 2017

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%	Jan-17	Dec-16	Difference
Unemployment rate (EAP)	3.57	3.66	-0.09
Participation rate	59.59	59.43	0.16
Part-time workers rate	7.17	6.86	0.31
Employment in the informal economy	26.83	26.51	0.32
Informal employment	57.22	56.66	0.56

Source: INEGI

Document for distribution among public



Source: INEGI

Looking ahead, we expect a higher unemployment rate as a result of the uncertainty surrounding the future performance of the Mexican economy. Today's employment report suggests a slightly more positive outlook for the Mexican labor market during January, given that the unemployment rate edged down, even though the participation rate.

However, we continue believe that the unemployment rate will increase in the first half of the year as a result of: (1) The downward trend in public spending, which has already translated in a higher number of unemployed workers, and has affected private investment projects; and (2) the uncertainty around the possible policies the new administration in the US could implement.

From our regional economist

Tlaxcala stands out as the federal entity with the largest reduction in its unemployment rate during January 2017. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.7pp reduction in Tlaxcalas's unemployment rate during January, which stood at 3.4%. The unemployment rate in the state now stands at its lowest level since March'05. With these figures, this entity continues to show better growth dynamics within the labor market than the other 31 states.

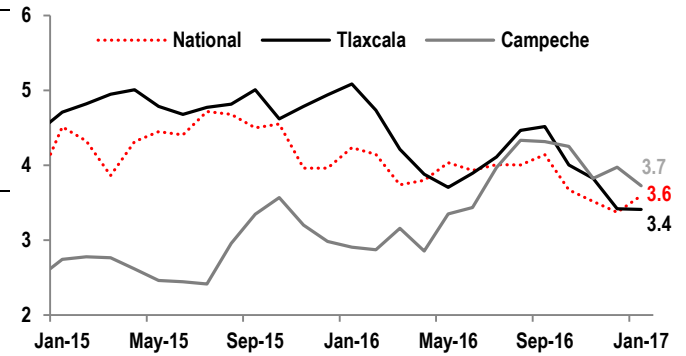
In addition, in Mexico City, Zacatecas, Nayarit, and Baja California Sur, the labor market has improved substantially vs. January 2016 with significant declines in their unemployment rates. However, in Campeche, Quintana Roo, Nuevo Leon, Tabasco, and Oaxaca, the unemployment rates substantially have increased since January'16, as shown in the following table.

Entities with minor and major changes in the unemployment rate: January-2017
%, nsa

	Jan-17	Jan-16	Difference	2016
Tlaxcala	3.4	5.1	-1.7	4.2
Mexico City	4.1	5.6	-1.5	5.1
Zacatecas	2.3	3.5	-1.2	3.0
Nayarit	3.2	4.4	-1.2	4.1
Baja California Sur	3.6	4.8	-1.1	4.6
Campeche	3.7	2.9	0.8	3.6
Quintana Roo	3.5	3.2	0.3	3.1
Nuevo Leon	3.9	3.7	0.2	4.2
Tabasco	7.7	7.7	0.0	7.6
Oaxaca	2.2	2.2	0.0	2.0

Source: INEGI

Entities with minor and major difference in the unemployment rate
%, nsa



Source: INEGI

We highlight Guerrero's 1.9% unemployment rate, was the lowest of the 32 federal entities in January 2017. However, on the other hand, Tabasco's unemployment rate stands at 7.7% as the highest rate registered of the country for the fourth consecutive month.

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