

## Employment report – Unemployment rate maintains a downward trend

May 27, 2016

- **Unemployment rate (April; seasonally adjusted figures): 3.93%; Banorte-Ixe: 4.12%; consensus: 4.16% (range of estimates: 3.91% to 4.4%); previous: 4.17%**
- **Part-time workers: 7.1% (previous: 7.8%); participation rate: 59.7% (previous: 59.4%; seasonally adjusted figures)**
- **Looking ahead, we believe that the unemployment rate will maintain a downward trend throughout the year**
- **Nayarit, Coahuila, and Baja California Sur stand out as the federal entities with the largest reduction in its unemployment rate**

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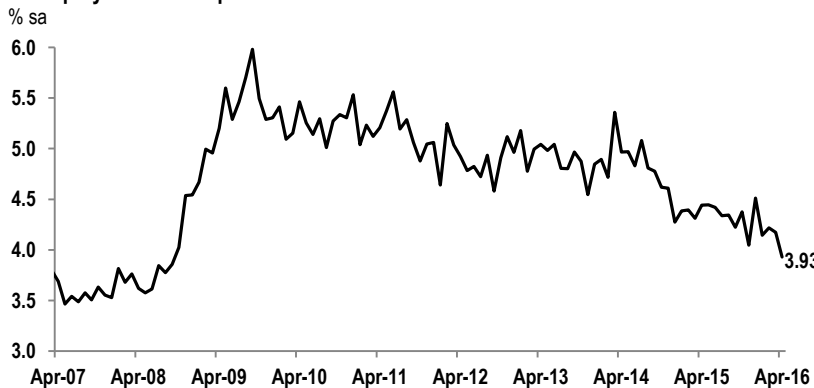
**Unemployment rate maintains a downward trend.** According to *INEGI's* report published today, the unemployment rate stood at 3.93% in April, below our 4.12% forecast (consensus: 4.16%). This number implies a significant 0.24%-pts. reduction from March's rate. In this regard, we highlight that with today's figure, the unemployment rate achieved its lowest level since the financial crisis hit in September 2008. Moreover, the participation rate increased by 0.32%-pts. Finally, the part-time workers rate decreased 0.71%-pts, as shown in the table below.

INEGI's employment report: April 2016

%	Apr-16	Mar-16	Difference
Unemployment rate (EAP)	3.93	4.17	-0.24
Participation rate	59.70	59.38	0.32
Part-time workers rate	7.10	7.80	-0.71

Source: INEGI

Unemployment rate: April 2016



Source: INEGI

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**Looking ahead, we believe that the unemployment rate will maintain a downward trend.** Today's employment report suggests a more positive outlook for the Mexican labor market, as the unemployment rate fell as a higher percentage of workers joined the labor force. Moreover, the fall in the part-time workers rate suggests that a higher percentage of workers were able to increase the number of hours worked, and therefore perceived a higher salary.

In our view, the unemployment rate will probably continue to fall, given the higher growth of the domestic demand and the upward trend in the creation of formal jobs. In this context, we believe that the unemployment rate could stand around 3.7% at the end of the year (seasonally adjusted figures).

*From our regional economy team*

**Nayarit, Coahuila, and Baja California Sur stand out as the federal entities with the largest reduction in its unemployment rate.** Analyzing the original figures published by *INEGI* for the federal entities (given that the seasonally adjusted figures are highly volatile), we highlight the 1.3pp reduction in the unemployment rate in Nayarit, Coahuila, and Baja California Sur. With these figures, these entities continued to show better growth dynamics within the labor market than the other 28 states in the fourth month of the year. Moreover, in April, formal employment in these states increased 3.4%, 3.2%, and 6.6% yoy, with 1,939 jobs created in Nayarit, 13,629 in Coahuila, and 6,501 in Baja California Sur. However, year-to-date, unemployment rate in these states is above the 3.8% national average.

Additionally, in Tlaxcala and Chihuahua, the labor market has improved substantially vs. April 2015 with significant declines in the unemployment rate. However, in Tabasco, Sinaloa, Veracruz, Chiapas, and Campeche, the unemployment rate increased slightly from the one obtained in Apr'15, as shown in the following table.

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

% yoy

	Apr-16	Apr-15	Jan-Apr, '16	Difference
Nayarit	3.8	5.1	4.1	-1.3
Coahuila	4.2	5.5	4.5	-1.3
Baja California Sur	4.1	5.4	4.6	-1.3
Tlaxcala	3.9	5.0	4.5	-1.1
Chihuahua	2.9	3.9	3.3	-1.1
Tabasco	7.2	6.5	7.5	0.7
Sinaloa	3.9	3.4	4.3	0.5
Veracruz	3.7	3.2	3.5	0.5
Chiapas	3.3	3.0	3.2	0.3
Campeche	2.9	2.6	2.9	0.2

Source: Banorte-Ixe; INEGI

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