

# Employment report – Marginal increase in October’s unemployment rate

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- **Unemployment rate (October; seasonally adjusted figures): 3.35%; Banorte-Ixe: 3.27%; consensus: 3.3%; previous: 3.32%**
- **Part-time workers: 6.9% (previous: 7.45%); participation rate: 59.5% (previous: 59.28%; seasonally adjusted figures)**
- **Looking ahead, we expect unemployment rate to oscillate around these levels in the fourth quarter of the year**
- **Sonora stands out as the federal entity with the largest reduction in its unemployment rate for the third consecutive month**

**Slight increase in the unemployment rate.** According to *INEGI’s* report published today, the unemployment rate stood at 3.35% in October, above our 3.27% forecast (*Bloomberg’s* median forecast: 3.3%). This number implies a marginal 0.03%-pts increase from September’s rate. Moreover, the participation rate rose to 59.5% from 58.28%, which could partly reflect the growth in the unemployment rate. Additionally, the part-time workers rate decreased to 6.9% from 7.45%, as shown in the table below.

Regarding the informal economy, October’s results show a contraction, in line with the historic formal employment figures published earlier in the month. The percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, represents 56.79% of the Mexican workforce, which implies a 0.42%-pts fall from last month’s figure. Moreover, percentage of workers who are incorporated in the informal sector represents 26.62% of Mexico’s total labor force, which implies a 0.27%-pts decrease from September’s revised figure.

**INEGI’s employment report: October 2017**

Seasonally adjusted

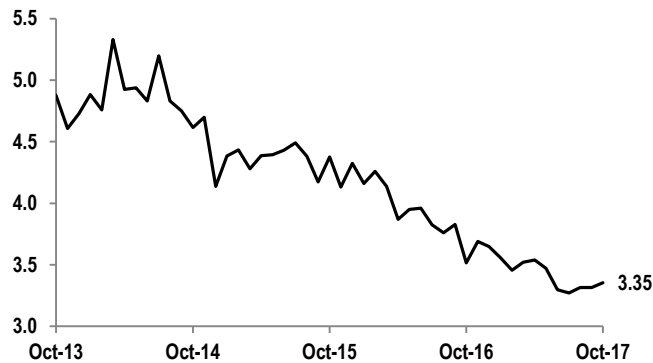
%	Oct-17	Sep-17	Difference
<b>Unemployment rate</b>	3.35	3.32	0.03
<b>Participation rate</b>	59.50	59.28	0.22
<b>Part-time workers rate</b>	6.90	7.45	-0.55
<b>Informal employment<sup>1</sup></b>	56.79	57.21	-0.42
Working in the informal economy	26.62	26.89	-0.27
Working in the formal economy	30.17	30.31	-0.14

Source: INEGI

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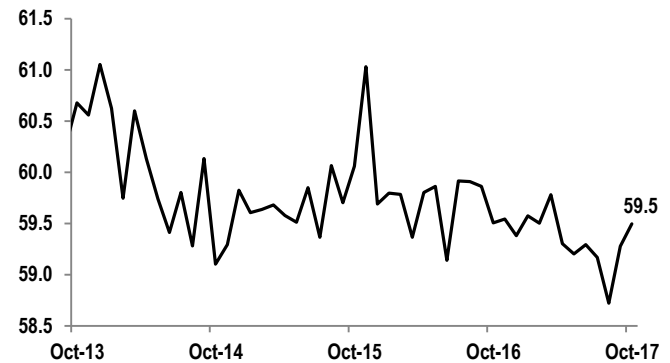
<sup>1</sup> Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, workers in the formal economy do pay some form of income tax

**Unemployment rate**  
% seasonally adjusted



Source: Banorte-Ixe with data from INEGI

**Participation rate**  
% seasonally adjusted



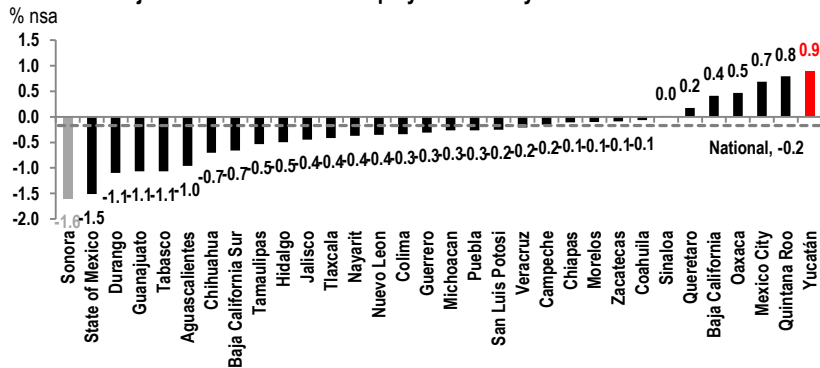
Source: Banorte-Ixe with data from INEGI

**Looking ahead, we expect unemployment rate to oscillate around these levels in the fourth quarter of the year.** Despite the recent increase in uncertainty about the future of the US-Mexico trade relationship, we believe that this will have a favorable conclusion, which in turn will positively influence employment performance. In addition, it will be positively impacted once reconstruction efforts begin to repair the damage that occurred due to September's earthquakes, as well as the dynamism in the manufacturing sector. 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 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 for the third consecutive month, the 1.6pp annual reduction in Sonora's unemployment rate, which stood at 4%. Moreover, unemployment rate in Sonora still stands at 3.7% YTD. In this context, the reduction in Sonora's unemployment rate was accompanied by a 4.3% yoy increase in the job creation within the formal economy with the arrival of new investments in the agricultural sector and the growth in education infrastructure as we mentioned in September's unemployment report. At the national level, we highlight that 20 entities out of the 32 that make up the Mexican Republic showed a smaller difference in the unemployment rate than that observed at the national level, as shown in next page graph.

### Minor and major difference in the unemployment rate by state: October 2017



Source Banorte-Ixe; INEGI:

In addition, in the State of Mexico, Guanajuato, Aguascalientes and Durango, the labor market has improved substantially vs. October 2016 with significant declines in their unemployment rates. However, in Mexico City, Morelos, Oaxaca, Baja California, and Sinaloa the unemployment rates substantially have increased since October' 16, as shown in the next table.

### Unemployment rate by state – October 2017

%; nsa

	Oct-17	Oct-16	Jan-Oct, '17	Difference
<b>National</b>	<b>3.5</b>	<b>3.7</b>	<b>3.4</b>	<b>-0.2</b>
Sonora	4.0	5.6	3.7	-1.6
State of Mexico	4.2	5.7	4.1	-1.5
Guanajuato	3.1	4.2	3.4	-1.1
Aguascalientes	3.1	4.2	3.6	-1.1
Durango	3.7	4.8	3.8	-1.1
Baja California Sur	4.3	5.2	4.2	-1.0
Tabasco	6.9	7.6	7.2	-0.7
Nuevo Leon	3.9	4.6	3.9	-0.7
Jalisco	2.9	3.5	2.8	-0.5
Nayarit	4.1	4.6	3.4	-0.5
Queretaro	4.1	4.6	4.3	-0.4
Veracruz	3.1	3.5	3.3	-0.4
Campeche	3.9	4.3	3.9	-0.4
Quintana Roo	3.3	3.6	3.1	-0.4
Puebla	2.8	3.1	2.8	-0.3
Chihuahua	2.6	2.9	2.8	-0.3
Guerrero	1.3	1.6	1.7	-0.3
Michoacan	2.4	2.7	2.7	-0.3
Tamaulipas	4.3	4.6	4.1	-0.2
Chiapas	2.8	3.0	2.7	-0.2
Zacatecas	2.7	2.8	2.7	-0.2
Hidalgo	2.7	2.8	3.0	-0.1
San Luis Potosi	2.3	2.4	2.3	-0.1
Coahuila	4.1	4.2	4.5	-0.1
Colima	3.9	3.9	3.6	-0.1
Yucatan	2.1	2.1	2.1	0.0
Tlaxcala	4.2	4.0	3.6	0.2
Sinaloa	3.8	3.4	3.6	0.4
Baja California	3.3	2.8	2.8	0.5
Oaxaca	2.5	1.8	2.2	0.7
Morelos	3.1	2.3	1.9	0.8
Mexico City	5.6	4.7	4.5	0.9

Source: INEGI

We highlight, that 3 of the states with the highest increase in the unemployment rate resented the effects of the earthquakes that occurred in September. It is possible that this increase in the rate is due, among others, to the fact that several businesses had to close their doors as a result of the damage to the infrastructure of their industries, with which many of them had to cut employees.

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