

Unemployment rate moderates in April but is consistent with slower activity

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- **Unemployment rate (April; sa): 3.45%; Banorte: 3.64%; consensus: 3.56% (range of estimates: 3.40% to 3.70%); previous: 3.55%**
- **Part-time workers: 7.83% (previous: 6.91%); Participation rate: 59.69% (previous: 60.00%)**
- **The unemployment rate moderated after the strong pickup of the previous month Nevertheless, the rest of components deteriorated when compared to March**
- **In particular, part-time workers reached a maximum since September 2017, while purely informal workers picked up to a high not seen since August 2013**
- **We maintain our view that consumption growth will likely be limited by the deceleration in formal job creation and economic activity despite the improvement in real wages**
- **Hidalgo stood out as the state with the largest reduction in the unemployment rate in the annual comparison**

Unemployment rate moderates in April. According to *INEGI's* report, the rate stood at 3.45% in April (seasonally-adjusted figures), below both the 3.55% of the previous month and consensus at 3.56%. Despite of the latter, the decrease was not enough to reverse the upward adjustment observed in March, which in our view is consistent with other signs of a slowdown in employment. In this respect, we also noted that part-time workers and purely informal workers deteriorated at the margin (see table below). This helps explain why the deceleration in the pace of formal job creation has been fully reflected in a higher unemployment rate. Moreover, the participation rate also declined.

Regarding informal workers, the share of those in the formal economy fell from 29.98% to 28.54%, while those purely informal gained in terms of their relative weight, going from 27.75% to 28.20%. As a result, the total in this sector managed to decline to 56.7%.

INEGI's employment report: April 2019

Seasonally adjusted figures

%	Apr-19	Mar-19	Difference
Unemployment rate	3.45	3.55	-0.10
Participation rate	59.89	60.30	-0.42
Part-time workers rate	7.36	7.18	0.18
Formal employment	43.27	42.27	1.00
Informal employment ¹	56.73	57.73	-1.00
Working in the informal economy	28.20	27.75	0.45
Working in the formal economy	28.54	29.98	-1.45

Source: INEGI

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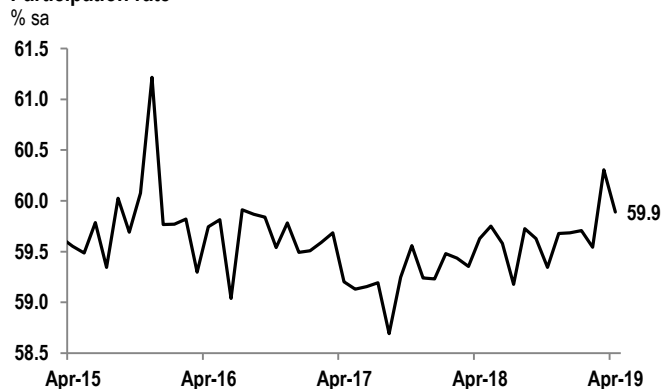
¹ Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, workers in the formal economy do pay some form of income tax

Unemployment rate



Source: Banorte with data from INEGI

Participation rate



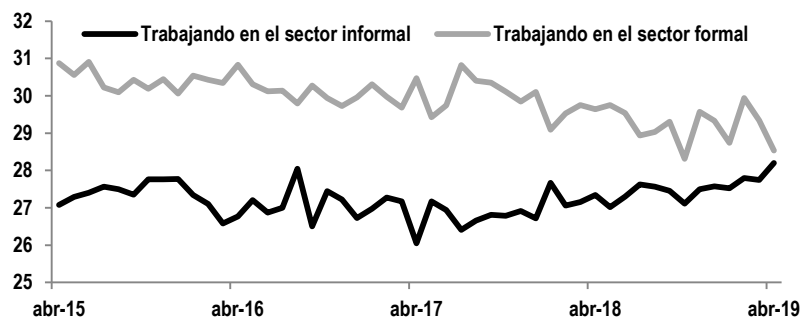
Source: Banorte with data from INEGI

We maintain our view of a possible slowdown in consumption as the labor market cools off.

Despite of the monthly improvement in the unemployment rate, details of the report were more mixed to negative. In particular, we highlight that the purely informal sector keeps gaining relative importance (see chart below), actually reaching its highest since August 2013. The latter is important given that these workers are more limited in terms of consumption growth due to lower wages (on average) and limits in their access to credit, particularly for purchases of durable goods. Moreover, there are tentative signs that the informal sector could be making up for the deceleration of employment in the formal economy as a result of higher wages in the latter. On a more positive note, real wages keep increasing as inflation has moderated but also due to some evidence of a lighthouse effect after the minimum wage increase since the start of the year. Lastly, social programs' transfers of the Federal Government are likely to broaden their scope gradually and have a positive effect on income, particularly for those groups with a relatively higher marginal propensity to consume. This should help consumption of non-durable goods relative to durables. All in all, we reiterate our view that the unemployment rate has already reached its cycle low. In particular, we believe that strong declines should be strongly limited by the deceleration in activity, a situation that has already materialized at least in 1Q19 while risks remain skewed to the downside.

Informal employment

% of total workers



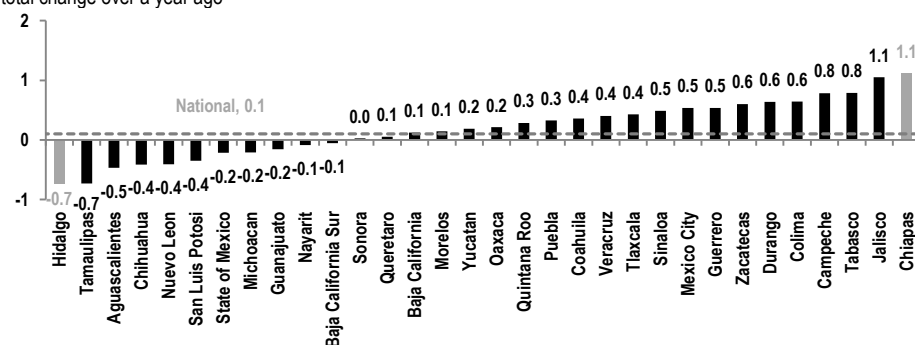
Source: IMSS, INEGI

At the state level

Hidalgo stood out as the state with the largest reduction in the unemployment rate in the annual comparison. Analyzing non-seasonally adjusted figures (given that seasonally adjusted data for states is highly volatile), we highlight the 0.7pp annual reduction in Hidalgo’s unemployment rate, going from 3.1% in April 2018 to 2.4% in the current month. This reduction was partially explained by the support of the *National Employment Service Programs*. In particular, employment boards and web pages, gave attention to 25,000 people, of which more than 4,600 were placed into new jobs. Moreover, we note 13 out of the 32 states showed a better performance than the one seen at a national level, as shown in the following graph.

Minor and major difference in the unemployment rate by state: April 2019

total change over a year ago



Source INEGI:

The labor market in Tamaulipas, Aguascalientes, Chihuahua, and Nuevo Leon has improved substantially, showing significant declines in the unemployment rate. However, Chiapas (with the widest spread between Apr’19 vs. Apr ’18), Jalisco, Tabasco, Campeche, and Colima have worsened. Last but not least, the lowest level of unemployment was observed in Oaxaca (1.5%). This figure implies a 0.2pp increase with respect to the same month of the previous year. Moreover, Tabasco continues with the highest level of the country (7.6%) –refer to the following table–.

Unemployment rate by state – April 2019

%; nsa

	Apr-19	Apr-18	Jan-Apr'19*	Difference
Hidalgo	2.4	3.1	2.4	-0.7
Tamaulipas	3.4	4.1	3.6	-0.7
Aguascalientes	3.4	3.9	3.4	-0.5
Chihuahua	3.3	3.7	2.9	-0.4
Nuevo Leon	3.3	3.7	3.3	-0.4
San Luis Potosi	2.1	2.4	2.2	-0.4
State of Mexico	4.1	4.4	4.2	-0.2
Michoacan	2.0	2.2	2.3	-0.2
Guanajuato	3.6	3.7	3.8	-0.2
Nayarit	3.6	3.7	3.5	-0.1
Baja California Sur	3.8	3.8	3.3	-0.1
Sonora	3.8	3.7	4.1	0.0
Queretaro	3.2	3.2	3.2	0.1
National	3.5	3.4	3.4	0.1
Baja California	2.3	2.1	2.4	0.1
Morelos	2.1	2.0	1.9	0.1
Yucatan	1.8	1.6	1.7	0.2
Oaxaca	1.5	1.3	1.8	0.2
Quintana Roo	2.9	2.6	3.0	0.3
Puebla	2.5	2.2	2.6	0.3
Coahuila	4.2	3.9	4.0	0.4
Veracruz	3.0	2.6	2.7	0.4
Tlaxcala	4.0	3.6	4.0	0.4
Sinaloa	3.1	2.6	3.4	0.5
Mexico City	4.8	4.3	5.2	0.5
Guerrero	1.6	1.1	1.6	0.5
Zacatecas	3.2	2.6	3.1	0.6
Durango	4.7	4.0	4.6	0.6
Colima	3.5	2.8	3.9	0.6
Campeche	3.4	2.6	3.5	0.8
Tabasco	7.6	6.8	7.7	0.8
Jalisco	3.2	2.1	2.7	1.1
Chiapas	3.4	2.3	3.4	1.1

*Note: Average during the period
Source: INEGI

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