

Employment report – Unemployment rate continues to fall in June

July 21, 2017

www.banorte.com
www.ixe.com.mx
@analisis_fundam

Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

Miguel Calvo
Regional and Sectorial Analyst
miguel.calvo@banorte.com

- **Unemployment rate (June; seasonally adjusted figures): 3.3%; Banorte-Ixe: 3.48%; consensus: 3.49%; previous: 3.5%**
- **Part-time workers: 7.2% (previous: 7%); participation rate: 59.3% (previous: 59.2%; seasonally adjusted figures)**
- **Looking ahead, we expect unemployment rate to marginally increase in the coming months, given the lower uncertainty around the Mexican economy**
- **The State of Mexico stands out as the federal entity with the largest reduction in its unemployment rate in June 2017**

Unemployment continues to fall in June. According to *INEGI's* report published today, the unemployment rate stood at 3.3% in June, below our 3.48% forecast, and *Bloomberg's* median forecast of 3.49%. This number implies a 0.17%-pts contraction from May's rate. Moreover, the fall in the unemployment rate occurred despite that there was a marginal expansion in the participation rate, which now stands at 59.3% (previous: 59.2%), while the part-time workers rate marginally increased to 7.2% from 7.0%, as shown in the table below.

Regarding the informal economy, June's results were slightly more positive. The percentage of workers who are incorporated in the informal sector represents 27% of Mexico's total workforce, which implies a 0.17%-pts contraction from May's figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, still represents 56.6% of the Mexican workforce.

INEGI's employment report: June 2017

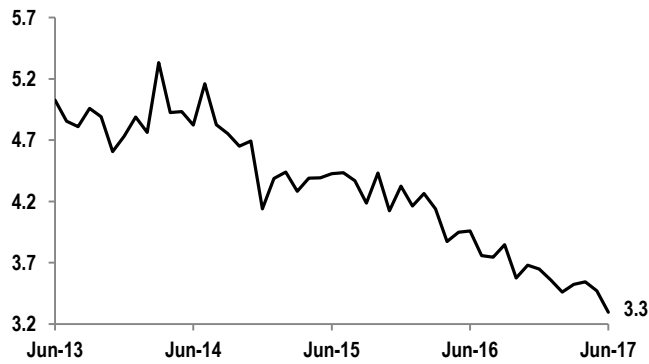
Seasonally adjusted

%	Jun-17	May-17	Difference
Unemployment rate	3.30	3.47	-0.17
Participation rate	59.3	59.2	0.1
Part-time workers rate	7.2	7.0	0.3
Employment in the informal economy	27.0	27.1	-0.2
Informal employment	56.6	56.6	0.0

Source: INEGI

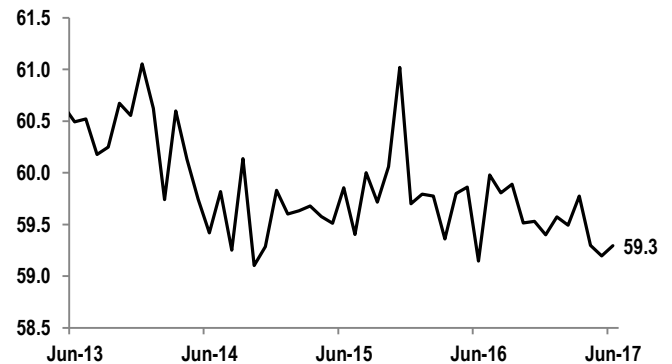
Document for distribution among public

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 marginally increase in the coming months. We believe that unemployment will remain around these levels in the following months, as a result of lower uncertainty regarding the future performance of the Mexican economy, given a lower probability of drastic changes to the US commercial policy. 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

The State of Mexico stands out as the federal entity with the largest reduction in its unemployment rate during June 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 the State of Mexico’s unemployment rate, which stood at a record low of 3.7%. In this context, the reduction in June’s unemployment rate in the entity was accompanied by a 4.5% yoy increase in the job creation within the formal economy.

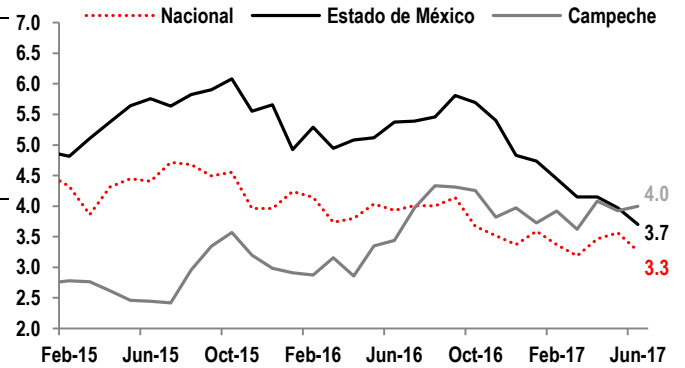
In addition, in Jalisco, Tamaulipas, Morelos, and Sonora, the labor market has improved substantially vs. June 2016 with significant declines in their unemployment rates. However, in Campeche, Baja California, Puebla, Guanajuato, and Aguascalientes, the unemployment rates substantially have increased since June’16, as shown in the following table.

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

	Jun-17	Jun-16	Difference	Jan-Jun. '17
State of Mexico	3.7	5.4	-1.7	4.2
Jalisco	2.5	3.8	-1.3	2.9
Tamaulipas	3.5	4.7	-1.2	4.1
Morelos	1.6	2.7	-1.1	1.6
Sonora	3.8	4.9	-1.1	3.6
Campeche	4.0	3.4	0.6	3.9
Baja California	2.8	2.4	0.3	2.7
Puebla	3.2	2.9	0.3	2.6
Guanajuato	3.9	3.7	0.2	3.7
Aguascalientes	4.3	4.0	0.2	3.7

Source: INEGI

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



Source: INEGI

Finally, as we can see in the graph above, the unemployment rate in the State of Mexico has shown a downward trend since September 2016, after 6 months of registering levels much higher than the national level. In contrast, in Campeche, unemployment rate doesn't show signs of recovery as it continues with an upward trend.

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454