

# Employment report – Unemployment rate falls in May

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- **Unemployment rate (May; seasonally adjusted figures): 3.5%; Banorte-Ixe: 3.44%; consensus: 3.57%; previous: 3.57%**
- **Part-time workers: 6.9% (previous: 7.2%); participation rate: 59.3% (previous: 59.3%; seasonally adjusted figures)**
- **Looking ahead, we expect unemployment rate to hover around these levels in the coming months, given the lower uncertainty around the Mexican economy**
- **Jalisco stands out as the federal entity with the largest reduction in its unemployment rate**

**Unemployment falls in May.** According to *INEGI's* report published today, the unemployment rate stood at 3.5% in May, above our 3.44% forecast, but below *Bloomberg's* median forecast of 3.57%. This number implies a 0.07%-pts contraction from April's rate. Moreover, the fall in the unemployment rate occurred despite that there was not a change in the participation rate (59.3%), while the part-time workers rate marginally decreased to 6.9% from 7.2%, as shown in the table below.

Regarding the informal economy, May's results were slightly more negative. The percentage of workers who are incorporated in the informal sector represents 27.1% of Mexico's total workforce, which implies a 0.84%-pts expansion from April's figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, grew 0.15%-pts and now represents 56.6% of the Mexican workforce.

**INEGI's employment report: May 2017**

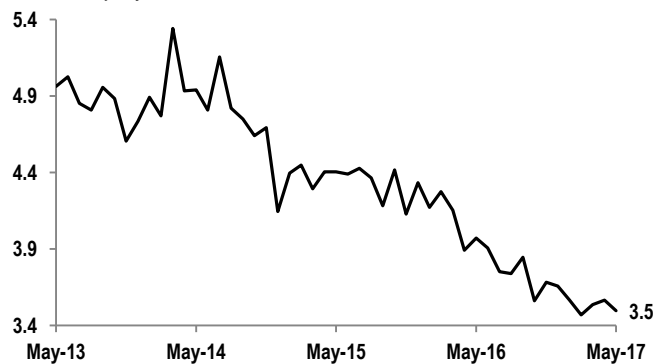
Seasonally adjusted

%	May-17	Apr-17	Difference
Unemployment rate	3.50	3.57	-0.07
Participation rate	59.3	59.3	0.0
Part-time workers rate	6.9	7.2	-0.3
Employment in the informal economy	27.1	26.3	0.8
Informal employment	56.6	56.4	0.2

Source: INEGI

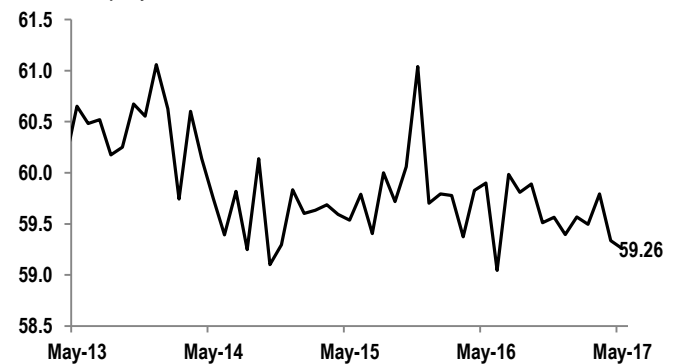
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**Unemployment rate**  
% seasonally adjusted



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 hover around these levels 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*

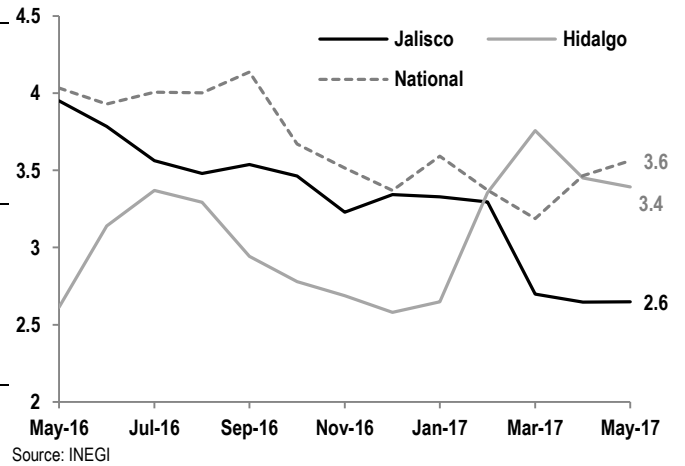
**Jalisco stands out as the federal entity with the largest reduction in its unemployment rate during May 2017.** Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.3pp reduction in Jalisco's unemployment rate for the second consecutive month, which stood at 2.6% respectively. With these figures, this entity continues to show better growth dynamics within the labor market than the other 31 states. Moreover, year-to-date, unemployment rate in Jalisco stands at 2.9%, below the national average (3.6%). In this context, the reduction in May's unemployment rate in the entity was accompanied by a 6% yoy increase in the job creation within the formal economy. In addition, the labor market in Morelos, the State of Mexico, Sonora, and Guerrero has improved substantially vs. May 2016, with significant declines in their unemployment rates. However, in Hidalgo, Coahuila, Campeche, Oaxaca, and Veracruz, the unemployment rates substantially increased since May'16, as shown in the following table.

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

	May-17	May-16	Difference	Jan-May. '17
Jalisco	2.6	4.0	-1.3	2.9
Morelos	1.6	2.9	-1.2	1.7
State of Mexico	4.0	5.1	-1.1	4.3
Sonora	3.6	4.5	-0.9	3.5
Guerrero	1.5	2.3	-0.8	1.9
Hidalgo	3.4	2.6	0.8	3.3
Coahuila	4.6	3.9	0.7	4.5
Campeche	3.9	3.3	0.6	3.9
Oaxaca	2.0	1.6	0.3	2.3
Veracruz	3.8	3.5	0.3	3.5

Source: INEGI

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



Source: INEGI

Finally, we highlight Guerrero's 1.5% unemployment rate, being the lowest of the 32 federal entities in May 2017. However, on the other hand, Tabasco's unemployment rate stands at 7.2%, which now registers the highest unemployment rate in the country for the eight consecutive month.

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