

Employment report – Slight increase in April’s unemployment rate

May 26, 2017

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- **Unemployment rate (April; seasonally adjusted figures): 3.57%; Banorte-Ixe: 3.57%; consensus: 3.50%; previous: 3.54%**
- **Part-time workers: 7.2% (previous: 7.1%); participation rate: 59.3% (previous: 59.8%; seasonally adjusted figures)**
- **Looking ahead, we expect a higher unemployment rate as a result of the uncertainty surrounding the future performance of the Mexican economy**
- **Sonora and Jalisco stands out as the federal entities with the largest reduction in its unemployment rate in April 2017**

Slight increase in April’s unemployment rate. According to *INEGI’s* report published today, the unemployment rate stood in line with our estimate at 3.57% in April above Bloomberg’s median forecast of 3.50%. This number implies a 0.03%-pts expansion from March’s rate. However, the increase in the unemployment rate was largely explained by the higher participation rate (+0.47%-pts m/m), while the part-time workers rate marginally increased to 7.2% from 7.1%, as shown in the table below.

Regarding the informal economy, April’s results were slightly more positive. The percentage of workers who are incorporated in the informal sector represents 26.4% of Mexico’s total workforce, which implies a 0.74%-pts expansion from March’s figure. Finally, the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, fell 0.51%-pts and now represents 56.5% of the Mexican workforce.

INEGI’s employment report: April 2017

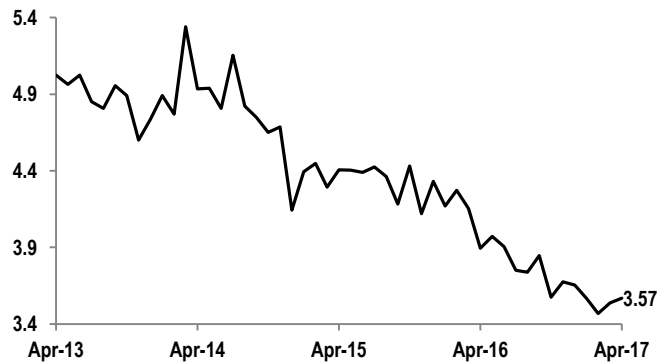
Seasonally adjusted

%	Apr-17	Mar-17	Difference
Unemployment rate	3.57	3.54	0.03
Participation rate	59.33	59.80	-0.47
Part-time workers rate	7.23	7.09	0.14
Employment in the informal economy	26.39	27.13	-0.74
Informal employment	56.46	56.98	-0.51

Source: INEGI

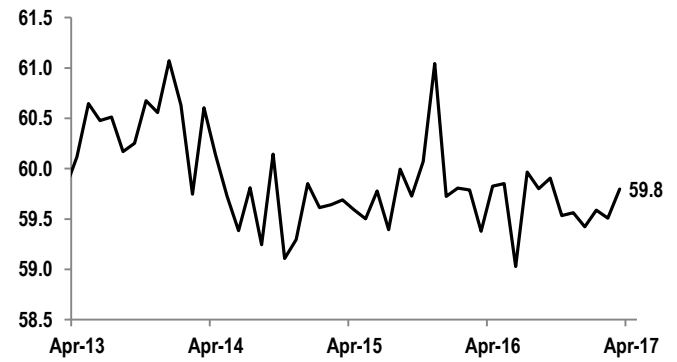
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Unemployment rate
% seasonally adjusted



Source: Banorte-Ixe with data from INEGI

Participation rate
% seasonally adjusted



Source: Banorte-Ixe with data from INEGI

Looking ahead, we expect a higher unemployment rate as a result of the uncertainty surrounding the future performance of the Mexican economy.

We continue to believe that the unemployment rate will marginally increase in the second quarter of the year as a result of: (1) The downward trend in public spending, which has already translated in a higher number of unemployed workers, and has affected private investment projects; and (2) the uncertainty around the possible policies the new administration in the US could implement, which will have a negative impact on the Mexican economy.

From our regional economy team

Sonora and Jalisco stands out as the federal entities with the largest reduction in its unemployment rate during April 2017. Analyzing the original figures published by *INEGI*, (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.4pp reduction in Sonora and Jalisco’s unemployment rate during April, which stood at 3.6% and 2.6% respectively. With these figures, this entities continue to show better growth dynamics within the labor market than the other 31 states. Moreover, year-to-date, unemployment rate in Sonora stands at 3.5%, above the national average (3.4%). In this context, the reduction in April’s unemployment rate in the entity was accompanied by a 4% yoy increase in the job creation within the formal economy. In addition, we highlight that Jalisco’s unemployment rate is the lowest since March 2005. Year-to-date, unemployment rate in this entity stands at 3%, below the national average. Moreover, the unemployment rate in the state was accompanied by a 5% yoy increase in the job creation within the formal economy.

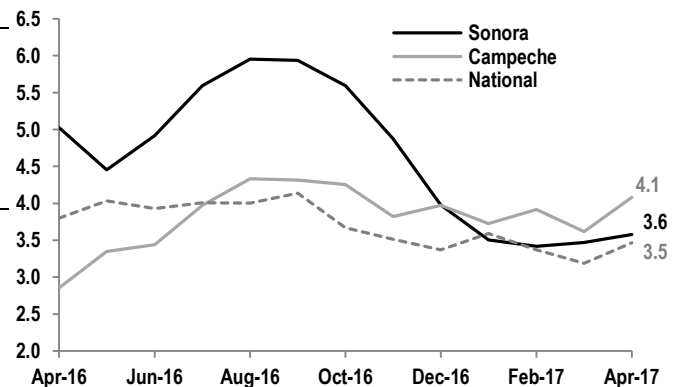
In addition, in Morelos, Colima, and Mexico City, the labor market has improved substantially vs. April 2016 with significant declines in their unemployment rates. However, in Campeche, Queretaro, Oaxaca, Hidalgo, and Coahuila, the unemployment rates substantially have increased since April '16, as shown in the following table.

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

	Apr-17	Apr-16	Difference	Jan-Apr. '17
Sonora	3.6	5.0	-1.4	3.5
Jalisco	2.6	4.0	-1.4	3.0
Morelos	1.3	2.6	-1.3	1.7
Colima	3.2	4.5	-1.3	3.4
Mexico City	3.9	5.0	-1.1	3.8
Campeche	4.1	2.9	1.2	3.8
Queretaro	4.9	4.2	0.7	4.2
Oaxaca	2.3	1.9	0.3	2.4
Hidalgo	3.5	3.1	0.3	3.3
Coahuila	4.6	4.2	0.3	4.4

Source: INEGI

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



Source: INEGI

For the second consecutive month, we highlight Morelos 1.3% unemployment rate, being the lowest showed of the 32 federal entities in April 2017. However, on the other hand, Tabasco's unemployment rate stands at 6.9%, which now registers the highest unemployment rate in the country for the seventh consecutive month.

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