

The unemployment rate continues to fall in March

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- **Unemployment rate (March; seasonally adjusted figures): 3.24%; Banorte: 3.33%; consensus: 3.32%; previous: 3.30%**
- **Part-time workers: 7.35% (previous: 6.67%); participation rate: 59.32% (previous: 59.31%; seasonally adjusted figures)**
- **We consider that the results of this report are mixed, given that informal employment increased while the unemployment rate fell**
- **Looking ahead, we expect that the unemployment rate will remain at slightly higher levels in the second quarter of the year**
- **Oaxaca stands out as the federal entity with the largest reduction in its unemployment rate in Mar '18 vs. Mar '17**

The unemployment rate continues to fall in March. According to *INEGI's* report published today, the unemployment rate stood at 3.24% in March, below our 3.33% forecast (*Bloomberg's* median forecast: 3.32%). This number implies a 0.06%-pts decrease from February's rate. With this result, the unemployment rate totals 4 consecutive months in contraction. Moreover, the participation rate stood at 59.32% from 59.31%. Additionally, the part-time workers rate increased to 7.35% from 6.67%, as shown in the table below.

Regarding the informal economy, March's results show an expansion, given that the percentage of informal workers (without any contractual obligation) –either in the formal or in the informal economy–, now represents 56.95% of the Mexican workforce, which implies a 0.30%-pts increase from last month's figure. Moreover, the percentage of workers who are incorporated in the informal sector amounts to 27.13% of Mexico's total labor force, which implies a 0.05%-pts growth from February's revised figures.

INEGI's employment report: March 2018

Seasonally adjusted figures

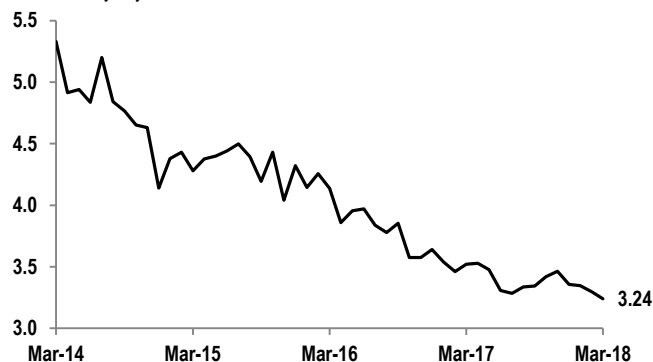
%	Mar-18	Feb-18	Difference
Unemployment rate	3.24	3.30	-0.06
Participation rate	59.32	59.31	0.01
Part-time workers rate	7.35	6.67	0.68
Informal employment¹	56.95	56.64	0.30
Working in the informal economy	27.13	27.08	0.05
Working in the formal economy	29.82	29.57	0.25

Source: INEGI

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

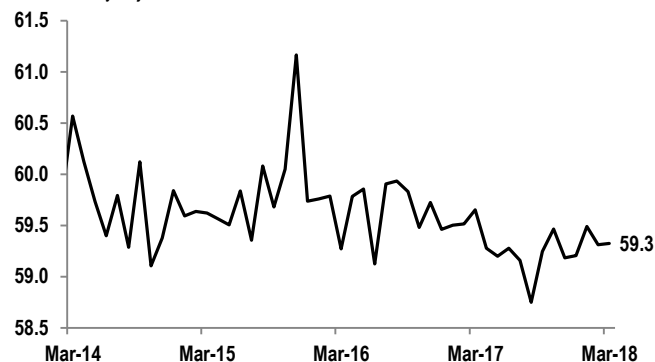
% seasonally adjusted



Source: Banorte with data from INEGI

Participation rate

% seasonally adjusted



Source: Banorte with data from INEGI

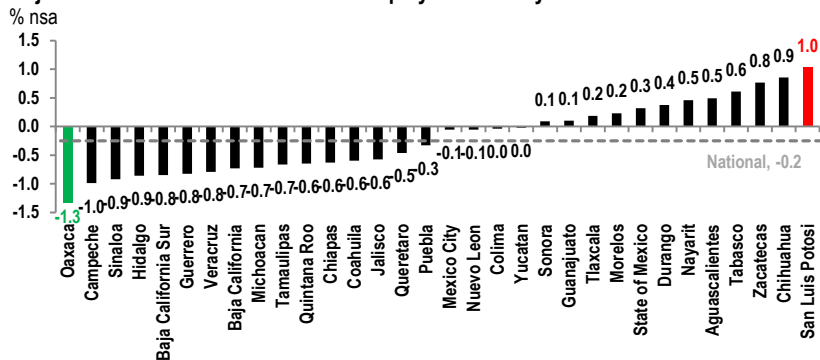
Looking ahead, we expect that the unemployment rate will remain at slightly higher levels in the second quarter of the year. We believe that unemployment will remain at low levels given the increase in public spending, -stemming from the electoral process-, in the first half of the year. We consider that this effect will be able to compensate for the possible loss of employment that could occur as a result of the slight deceleration that private consumption has presented in the last months. In addition, a favorable renegotiation of NAFTA, which given the latest information seems as the most probable outcome, will positively impact the employment dynamic in the country.

Regional analysis

Oaxaca's unemployment rate registered the largest annual fall during the third month of the year. Analyzing the non-seasonally figures published by *INEGI* (given that the seasonally adjusted figures for the federal entities are highly volatile), we highlight the 1.3pp annual reduction in Oaxaca's unemployment rate, which now stands at 1.3%. In this context, the reduction in the unemployment rate was boosted by a 4.3% yoy increase in formal job creation, with the support of the *National Service of Employment Programs* through job boards and fairs, among others.

Moreover, we highlight that the unemployment rate in 16 out of the 32 entities that make up the Mexican Republic showed a greater reduction than the one observed at the national level, as shown in the graph on the following page.

Major and minor differences in the unemployment rate by state: March 2018



Source INEGI:

In addition, in Campeche, Sinaloa, Hidalgo, and Baja California Sur, the labor market has improved substantially, with significant declines in their unemployment rate. However, in San Luis Potosi, Chihuahua, Zacatecas, Tabasco, and Aguascalientes, the unemployment rates have substantially increased since March 2017, as shown in next table.

Unemployment rate by state – March 2018

%; nsa

	Mar-18	Mar-17	Jan-Mar '18	Difference
Oaxaca	1.3	2.7	1.4	-1.3
Campeche	2.6	3.6	2.7	-1.0
Sinaloa	2.5	3.4	2.7	-0.9
Hidalgo	2.9	3.8	2.6	-0.9
Baja California Sur	3.9	4.7	3.6	-0.8
Guerrero	1.2	2.1	1.4	-0.8
Veracruz	2.7	3.5	3.2	-0.8
Baja California	2.1	2.8	2.2	-0.7
Michoacan	2.1	2.8	2.2	-0.7
Tamaulipas	4.0	4.6	4.0	-0.7
Quintana Roo	2.6	3.3	2.8	-0.6
Chiapas	2.0	2.7	2.3	-0.6
Coahuila	4.0	4.6	3.9	-0.6
Jalisco	2.1	2.7	2.4	-0.6
Queretaro	3.2	3.7	3.7	-0.5
Puebla	2.1	2.5	2.4	-0.3
National	2.9	3.2	3.2	-0.2
Mexico City	3.6	3.7	3.7	-0.1
Nuevo Leon	3.7	3.7	3.5	-0.1
Colima	3.4	3.4	3.5	0.0
Yucatan	1.9	2.0	2.0	0.0
Sonora	3.6	3.5	3.7	0.1
Guanajuato	3.4	3.3	3.5	0.1
Tlaxcala	3.6	3.4	3.5	0.2
Morelos	1.9	1.7	1.9	0.2
State of Mexico	4.5	4.1	4.5	0.3
Durango	4.4	4.1	4.1	0.4
Nayarit	3.4	2.9	3.5	0.5
Aguascalientes	3.8	3.3	3.7	0.5
Tabasco	7.6	7.0	7.8	0.6
Zacatecas	3.7	2.9	3.5	0.8
Chihuahua	4.0	3.1	3.4	0.9
San Luis Potosi	2.9	1.9	2.9	1.0

Source: INEGI

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