Consolidation of the labor market in 2023, with 1.2 million jobs created in the year

- **Unemployment rate (December; nsa): 2.61%; Banorte: 2.58%; consensus: 2.61% (range: 2.58% to 3.00%); previous: 2.71%**

- **Part-time workers: 7.6% (previous: 8.2%); participation rate: 59.9% (previous: 61.0%)**

- **Average hourly wages came in at $56.05, with the annual comparison quite high at +12.4% y/y**

- **With seasonally adjusted figures, the unemployment rate was practically unchanged at 2.79% (previous: 2.80%). Considering all these results, we continue to believe that little slack exists in the labor market**

- **Analyzing full-year figures, job creation in 2023 totaled 1.2 million, with 59.1 million employed people at the end of the year. Also positive, the total unemployed population declined by 59.4 thousand to 1.6 million**

- **The labor force expanded by 1.1 million, while people outside of it climbed by 472.2 thousand. Within the latter, those 'not available' climbed by 1.1 million, with the ones 'available' down by 605.9 thousand**

- **During the year, the informal sector lost 97.8 thousand jobs, with the formal sector adding 1.3 million positions. As such, the informality rate came in at 53.6%**

- **We think that job creation will continue in 1H24, with a boost from increased government spending, keeping the unemployment rate low. However, we do believe that the latter could adjust higher in the second half on a more challenging economic outlook**

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The unemployment rate falls in December on a positive seasonality. With nsa figures, the unemployment rate came in at 2.61%, matching consensus (2.61%) and quite close to our estimate (2.58%). The decline is usually driven by a contraction in the labor force due to the holiday period. As such, with seasonally-adjusted figures the rate was practically unchanged at 2.79% (previous: 2.80%). Turning to other relevant indicators –and back to nsa figures–, the participation rate declined to 59.9% (also consistent with the contraction in the labor force), while the part-time rate fell again to 7.6% (its lowest level since February). Regarding informality levels, we noted a mild improvement, with the rate contracting to 53.6%. Turning to wages, the average hourly remuneration came in at $56.05, which translates into a 12.4% y/y expansion, situation which is favorable for consumption. Lastly, as in previous reports, we added 'available for work' not in the labor force both to the unemployed and the labor force to better reflect market conditions. With this, the 'expanded' unemployment rate stood at 9.89%, consistent with the positive market labor trend throughout the year.

INEGI's employment report
Non-seasonally adjusted figures, %

	Dec-23	Nov-23	Difference
Unemployment rate	2.61	2.71	-0.10
Participation rate	59.9	61.0	-1.1
Part-time workers rate	7.6	8.2	-0.6
Formal employment	46.4	45.3	1.1
Informal employment	53.6	54.7	-1.1
Working in the informal economy	27.9	28.2	-0.3
Working in the formal economy	25.8	26.6	-0.8

Note: Differences might not match due to the number of decimals allowed in the table.
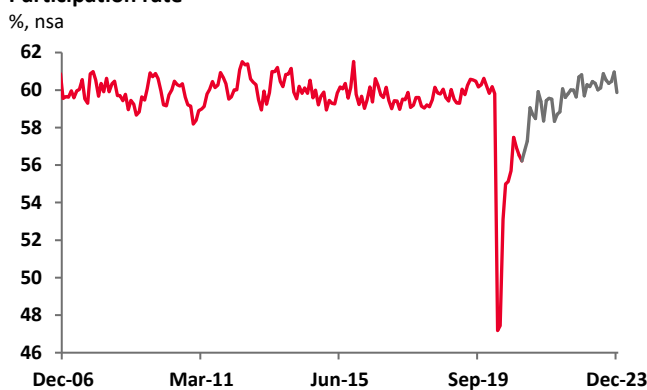Source: INEGI

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Job gains total 1.2 million in 2023. With this, the total employed population climbed to 59.1 million. Also positive, total unemployed persons declined by 59.4 thousand to 1.6 million. Analyzing job creation by sectors, we highlight services at 982.4 thousand –with commerce (519.1 thousand) and transportation (319.2 thousand) leading the charge. Industry was also positive at +652.4 thousand, with manufacturing being the favorable outlier (568.2 thousand). On the contrary, agriculture shed 439.4 thousand positions. During the year, the informal sector lost 97.8 thousand jobs, with the formal sector adding 1.3 million positions. Finally, the labor force expanded by 1.1 million, while people outside of it climbed by 472.2 thousand. Within the latter, those 'not available' climbed by 1.1 million, with the ones 'available' down by 605.9 thousand. In our view, all these figures are consistent with a relevant consolidation of the labor market, supported by a buoyant domestic demand and with some possible structural changes in play –mostly related to nearshoring.

Unemployment rate
%, nsa
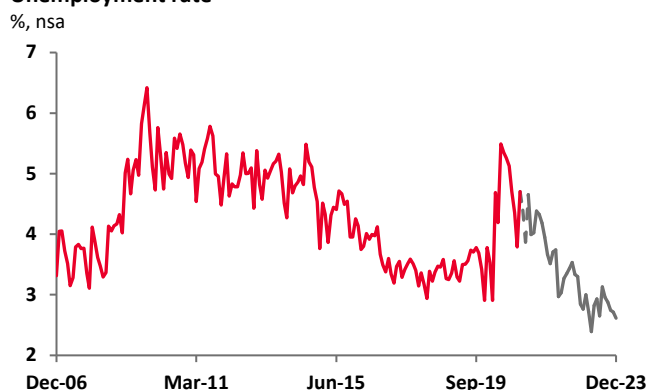
Note: Dotted lines correspond to data obtained through the phone-only survey. The grey line indicates the hybrid survey
Source: Banorte with data from INEGI

Participation rate
%, nsa

Note: Dotted lines correspond to data obtained through the phone-only survey. The grey line indicates the hybrid survey
Source: Banorte with data from INEGI

We expect a tight labor market through 1H24. Dynamism seen throughout 2023 will continue in this year, especially in the first half. Both industry –with construction driving gains– and services –considering strong fundamentals for consumption– will likely concentrate gains. In this sense, in *Manpower's Employment Expectations Survey*, 48% of companies expressed their plans to increase their workforce in the first quarter of the year, which could translate into 400 thousand new positions just in the formal sector –with health (56%), IT (42%), transportation, logistics, and automotive (42%) and manufacturing (38%) leading. On the other hand, we believe that in the second semester, the moderation in economic activity could impact labor needs. As such, we expect the unemployment rate to remain relatively low through 1H24, but closing the year slightly higher at 3.4%.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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