

New low in the unemployment rate, with other improvements in the labor market

- Unemployment rate (March; nsa): 2.28%; Banorte: 2.28%; consensus: 2.54% (range: 2.27% to 2.90%); previous: 2.45%
- Part-time workers: 6.5% (previous: 6.7%); participation rate: 60.2% (previous: 60.2%)
- In March, 414.3 thousand jobs were created, very positive considering mixed seasonal patterns when the *Easter* holiday happens in the month. The number of unemployed declined by 97.5 thousand, with the labor force up by 316.9 thousand. This combination explains the new historical low in the unemployment rate
- With this, both the participation rate and the part-time rate were unchanged. Outside of the labor force, those catalogued as 'available for work' expanded by 194.1 thousand
- With seasonally adjusted figures, the unemployment rate climbed to 2.66% from 2.58%, adding 17 months below the 3% threshold
- The formal sector created 286.8 thousand jobs, with the informal sector adding 127.5 thousand positions. As such, the informality rate came in at 54.3% (previous: 54.5%)
- The average hourly wage came in at \$57.54 (previous: \$58.53), with the annual comparison at +11.6% y/y (previous: +12.2%). As such, income continues to improve, with several factors driving the increase
- We hold a positive view on the labor market, continuing in a position of strength in coming months. We believe tightness will extend in broad terms, although we cannot rule out possible diverging trends among the several sectors

New historical low for the unemployment rate, with other indicators also showing improvements. With nsa figures, the unemployment rate came in at 2.28% (see chart below, left), below consensus (2.54%) but in line with our estimate. The result is consistent with a positive seasonal pattern, reflecting the readjustment of the metric after the first two months of the year where it is usually higher. With seasonally adjusted figures, the rate rose by 8bps to 2.66%, which we continue to think is very favorable considering that it would have stood below 3% for 17 months now. Back to original figures, the labor force increased by 316.9 thousand people, with 97.5 thousand less unemployed and 414.3 thousand more employed –which is positive considering a mixed seasonality in the period when the *Easter* holiday occurs in the month. Thus, total employed people in the last twelve months increased by 800.0 thousand. In line with the latter, the participation rate was unchanged at 60.2%. Meanwhile, people outside of the labor force climbed by 218.2 thousand, driven by an expansion of 194.1 thousand people in those 'available to work', with the 'not available' ones increasing by 24.2 thousand. In our opinion, these figures reaffirm that the labor market not only maintains a solid position, but that it continues to tighten. As in previous reports, we added those 'available to work' but 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 9.68%, an inch higher than February's mark (9.61%), although we suggest some caution in its interpretation due to the strong seasonal patterns. In our view, this supports our evaluation that the labor market remains very tight.

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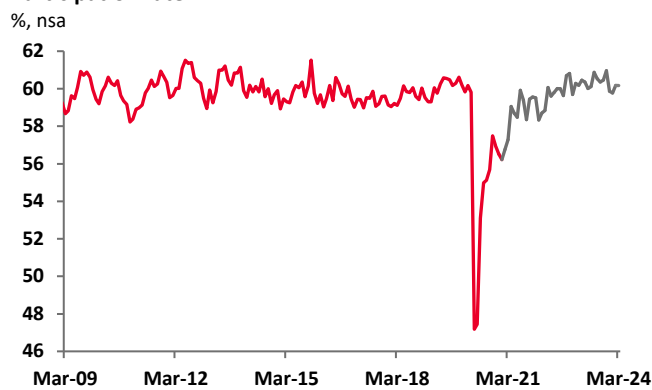
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Unemployment rate



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



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

Job gains in both the informal and formal sectors. In the first sector 127.5 thousand positions were added, while the formal sector added 286.5 thousand posts. Hence, the informality rate moderated to 54.3% (previous: 54.5%). By sectors, agriculture and industry improved with 89.0 thousand and 343.2 thousand positions added. In the former, the seasonal pattern seems to support a recovery. On the latter, gains centered in manufacturing (+379.6 thousand), with a marginal uptick in construction (+34.5 thousand). On the contrary, services eliminated 38.8 thousand positions, with strong losses in commerce (-273.9 thousand) and restaurants & lodging (-223.9 thousand), partially offset by the increase in governmental services (+306.4 thousand). The part-time rate was unchanged at 6.5%. Finally, average hourly wages came in at \$57.54, down \$0.99 vs. the previous month. The annual rate moderated to 11.6% (previous: +12.2%), although it remains very high. In our view, its upward trend will remain supported by little labor market slack and the 'lighthouse effect' from the minimum wage.

INEGI's employment report

Non-seasonally adjusted figures, %


	Mar-24	Feb-24	Difference
Unemployment rate	2.28	2.45	-0.17
Participation rate	60.2	60.2	0.0
Part-time workers rate	6.5	6.5	0.1
Formal employment	45.7	45.5	0.2
Informal employment ¹	54.3	54.5	-0.2
Working in the informal economy	27.9	28.1	-0.1
Working in the formal economy	26.4	26.5	-0.1

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

We believe that tight labor market conditions will continue in coming months. We continue to think that the outlook in the very short-term remains positive, with circumstantial factors that we have explained in other notes contributing to dynamism. Nonetheless, we will be closely watching the performance during 3Q24, when we anticipate a sequential decline in economic activity. While we believe we could see a slight upward adjustment in several metrics—including the unemployment rate—the movement would likely be very limited considering current levels of tightness.

Related to this, we note some of the results in the latest *Employment Outlook Survey* conducted by the *Manpower Group* for 2Q24. Of the 1,000 employers surveyed, 45% responded that they plan to increase their workforce, with 33% anticipating no changes, and only 13% looking to reduce their payroll. By sector, those with the highest demand include 'transportation, logistics and autos', 'life sciences and healthcare' and 'energy'. Within the same survey, 68% of the total said they are having difficulty filling jobs. Regarding this last point, we think it is increasingly common to see industry associations or chambers focusing on finding skilled labor.

¹ Informal employment considers workers not affiliated to the Social Security Institutes (IMSS and ISSSTE) and the armed forces. However, those in the formal economy do pay some form of income tax.



Such is the case of the *Franco-Mexican Chamber of Commerce and Industry*, which plans to hold three job fairs in the country, with the goal of meeting the needs of new French companies arriving in Mexico. Representatives of the association stated that “...one of the great challenges we face is the lack of labor [...] a problem that all companies in Mexico suffer from...”.

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