

## Job gains resume in May, corroborating the strength of the labor market

- Unemployment rate (May; nsa): 2.62%; Banorte: 2.72%; consensus: 2.68% (range: 2.60% to 2.72%); previous: 2.61%
- Part-time workers: 7.4% (previous: 7.7%); participation rate: 60.5% (previous: 60.5%)
- In May, 6.2 thousand jobs were created, contrasting with both the long-term seasonal pattern (of large gains) and the performance in recent years (with relevant losses). The number of unemployed persons increased by 7.1 thousand, with the labor force up by 13.3 thousand. The combination of these factors explains the stability in the unemployment rate
- With this, the participation rate increased marginally, while the part-time rate reversing down. Outside of the labor force, people 'available to work' increased by 73.8 thousand
- With seasonally adjusted figures, the unemployment rate declined by 2bps to 2.61%, remaining below 3% for nineteen consecutive months
- The formal sector created 66.7 thousand jobs, with the informal sector shedding 60.5 thousand. As such, the informality rate came in at 54.4% (previous: 54.6%). By sectors, gains centered in industry (+500.8 thousand)
- Average hourly wages came in at \$60.33 (previous: \$59.46), with the annual comparison at +8.0% y/y (previous: +9.4%). The expansion rate remains elevated vs. historical averages despite a moderation in its pace
- We believe that the labor market will remain strong in the short- and medium-term. Nevertheless, a likely moderation in economic activity could result in a marginal increase in the unemployment rate and a slower pace of job gains

Job creation resumes in May, up 6.2 thousand, with mixed historical patterns for the period. With nsa figures, the unemployment rate came in at 2.62% (see chart below, left), below consensus (2.68%) and our estimate (2.72%). With *Easter* holiday distortions left behind, the period tends to insert and upward bias to unemployment metrics, albeit with the performance in terms of the number of employees and the labor force a little more mixed, particularly in the last couple of years. However, using seasonally adjusted figures, the unemployment rate declined 2bps to 2.61%, still firmly below the 3% threshold, which is very positive. Back to original figures, the labor force increased by 13.3 thousand persons—with the participation rate unchanged at 60.5%—, with 6.2 thousand more employees and 7.1 thousand more unemployed. This contrasts with both the long-term trend—of large employment gains—and what we have seen in the last three years—with notable job losses. With this, accumulated jobs created in the last 12 months reached 1.6 million positions. Meanwhile, people outside of the labor force declined by 89.0 thousand, with the main driver being the contraction in those 'not available for work' (-162.9 thousand). Nevertheless, those 'available' increased by 73.8 thousand. As in previous reports, we added those '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 9.99%, higher than the last month (9.88%). Despite its increase, we believe the labor market keeps improving, as reflected in other metrics. As such, we continue to see very little slack, a situation that we still expect to extend into coming months.

June 27, 2024



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and Market Strategy  
juan.alderete.macal@banorte.com



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
francisco.flores.serrano@banorte.com



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
yazmin.perez.enriquez@banorte.com



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
cintia.nava.roa@banorte.com



[@analisis\\_fundam](http://www.banorte.com/analisis-economico)

Winners of the awards as the best economic forecasters in Mexico by *LSEG* and *Focus Economics* in 2023



**LSEG STARMINE  
AWARD FOR  
REUTERS POLLS**  
Best Forecaster  
Economic Indicators  
for Mexico 2023



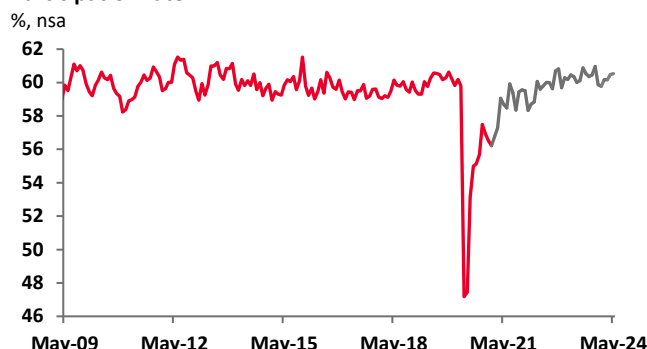
Document for distribution among the general public

## 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

**Mixed performance across sectors.** Formal employment increased by 66.7 thousand, with positions in informality down by 60.5 thousand. Hence, the informality rate fell to 54.4% (previous: 54.6%). By sectors, industry added 500.8 thousand positions, with manufacturing quite positive at 530.4 thousand, but with construction losing 71.2 thousand. On the contrary, both agriculture (-129.9 thousand) and services (-318.8 thousand) were negative. Within the latter, losses centered in 'others' (-252.6 thousand) and social services (-234.0 thousand). Commerce (+247.7 thousand) and restaurants and lodging (+114.6 thousand) picked up. The part-time rate ticked down to 7.4%. Finally, average hourly wages came in at \$60.33, up \$0.87 vs. the previous month. The annual rate moderated again to 8.0% (previous: +9.4%). However, we believe a positive 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, %

	May-24	Apr-24	Difference
Unemployment rate	2.62	2.61	0.01
Participation rate	60.5	60.5	0.1
Part-time workers rate	7.4	7.7	-0.3
Formal employment	45.6	45.4	0.1
Informal employment <sup>1</sup>	54.4	54.6	-0.1
Working in the informal economy	28.8	28.1	0.6
Working in the formal economy	25.7	26.4	-0.7

<sup>1</sup> 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.

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

**Labor market strength will continue in coming months despite a more challenging economic outlook.** As elaborated in [other publications](#), we expect economic activity to moderate, with several headwinds and a more challenging base effect materializing in 3Q24. We think this will result in upward adjustments to the unemployment rate, although remaining considerably below its 4.1% long-term average in our forecast horizon. In addition, another likely effect would be a slowdown in the pace of job creation, albeit not forecasting relevant job losses. As a result, wage dynamism could also moderate, although with 'lighthouse effect' from minimum wage hikes and accumulated inflation in previous years remaining in the driver's seat.

We maintain a positive view on the labor market, expecting tightness to prevail. Broadly speaking, this could be explained by: (1) A favorable starting point, considering that the unemployment rate is currently close to historical lows while wages keep climbing at high rates; (2) reports of vacancies and difficulties in filling them with qualified personnel –as we have elaborated in previous reports; and (3) an encouraging outlook for the economy after the slowdown, anticipating that nearshoring momentum and US resilience will continue. Given this, we believe companies will opt to retain staff even in an adverse event, a lesson left over from the pandemic as they sought to fill some of the shortages once the recovery began.

## Analyst Certification.

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, Marcos Saúl García Hernández, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, 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.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

## Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

## Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

*The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.*



**Raquel Vázquez Godínez**  
Assistant  
raquel.vazquez@banorte.com  
(55) 1670 - 2967



**María Fernanda Vargas Santoyo**  
Analyst  
maria.vargas.santoyo@banorte.com  
(55) 1103 - 4000 x 2586

#### Economic Research



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and  
Market Strategy  
juan.alderete.macal@banorte.com  
(55) 1103 - 4046



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
yazmin.perez.enriquez@banorte.com  
(55) 5268 - 1694

#### Market Strategy



**Santiago Leal Singer**  
Director of Market Strategy  
santiago.leal@banorte.com  
(55) 1670 - 1751



**José Itzamna Espitia Hernández**  
Senior Strategist, Equity  
jose.espitia@banorte.com  
(55) 1670 - 2249



**Leslie Thalía Orozco Vélez**  
Senior Strategist, Fixed Income and FX  
leslie.orozco.velez@banorte.com  
(55) 5268 - 1698



**Juan Carlos Mercado Garduño**  
Strategist, Equity  
juan.mercado.garduno@banorte.com  
(55) 1103 - 4000 x 1746

#### Quantitative Analysis



**Alejandro Cervantes Llamas**  
Executive Director of Quantitative Analysis  
alejandro.cervantes@banorte.com  
(55) 1670 - 2972



**José De Jesús Ramírez Martínez**  
Senior Analyst, Quantitative Analysis  
jose.ramirez.martinez@banorte.com  
(55) 1103 - 4000



**Andrea Muñoz Sánchez**  
Strategist, Quantitative Analysis  
andrea.muñoz.sanchez@banorte.com  
(55) 1105 - 1430



**Alejandro Padilla Santana**  
Chief Economist and Head of  
Research  
alejandro.padilla@banorte.com  
(55) 1103 - 4043



**Itzel Martínez Rojas**  
Analyst  
itzel.martinez.rojas@banorte.com  
(55) 1670 - 2251



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
francisco.flores.serrano@banorte.com  
(55) 1670 - 2957



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
cintia.nava.roa@banorte.com  
(55) 1105 - 1438



**Marissa Garza Ostos**  
Director of Equity Strategy  
marissa.garza@banorte.com  
(55) 1670 - 1719



**Carlos Hernández García**  
Senior Strategist, Equity  
carlos.hernandez.garcia@banorte.com  
(55) 1670 - 2250



**Marcos Saúl García Hernández**  
Analyst, Fixed Income, FX and Commodities  
marcos.garcia.hernandez@banorte.com  
(55) 1670 - 2296



**Ana Gabriela Martínez Mosqueda**  
Strategist, Equity  
ana.martinez.mosqueda@banorte.com  
(55) 5261 - 4882



**José Luis García Casales**  
Director of Quantitative Analysis  
jose.garcia.casales@banorte.com  
(55) 8510 - 4608



**Daniel Sebastián Sosa Aguilar**  
Senior Analyst, Quantitative Analysis  
daniel.sosa@banorte.com  
(55) 1103 - 4000 x 2124



**Lourdes Calvo Fernández**  
Analyst (Edition)  
lourdes.calvo@banorte.com  
(55) 1103 - 4000 x 2611



**Katia Celina Goya Ostos**  
Director of Economic Research,  
Global  
katia.goya@banorte.com  
(55) 1670 - 1821



**Luis Leopoldo López Salinas**  
Economist, Global  
luis.lopez.salinas@banorte.com  
(55) 1103 - 4000 x 2707



**Víctor Hugo Cortes Castro**  
Senior Strategist, Technical  
victorh.cortes@banorte.com  
(55) 1670 - 1800



**Hugo Armando Gómez Solís**  
Senior Analyst, Corporate Debt  
hugo.gomez@banorte.com  
(55) 1670 - 2247



**Gerardo Daniel Valle Trujillo**  
Analyst, Corporate Debt  
gerardo.valle.trujillo@banorte.com  
(55) 1670 - 2248



**Paula Lozoya Valadez**  
Analyst, Equity  
paula.lozoya.valadez@banorte.com  
(55) 1103 - 4000 x 2060



**Miguel Alejandro Calvo Domínguez**  
Senior Analyst, Quantitative Analysis  
miguel.calvo@banorte.com  
(55) 1670 - 2220



**Jazmin Daniela Cuautencos Mora**  
Strategist, Quantitative Analysis  
jazmin.cuautencos.mora@banorte.com  
(55) 1670 - 2904