

Job losses in June, albeit with modest changes in the unemployment rate

- Unemployment rate (June; nsa): 2.78%; Banorte: 2.66%; consensus: 2.63% (range: 2.52% to 2.72%); previous: 2.62%
- Part-time workers: 7.5% (previous: 7.4%); participation rate: 59.8% (previous: 60.5%)
- In June, 863.9 thousand jobs were lost, recognizing that the period does not have a clear seasonal pattern. The number of unemployed persons increased by 72.2 thousand, with the labor force down by 791.7 thousand. The combination of these factors explains the upward adjustment in the unemployment rate
- With this, the participation rate declined, while the part-time rate was practically unchanged. Outside of the labor force, people 'available to work' increased by 41.3 thousand
- With seasonally adjusted figures, the unemployment rate increased by 10bps to 2.74%, remaining below 3% for twenty consecutive months
- The formal sector shed 33.5 thousand jobs, with the informal sector eliminating 830.4 thousand. As such, the informality rate came in at 53.8% (previous: 54.4%). By sectors, losses centered in industry (-542.0 thousand)
- Average hourly wages came in at \$59.35 (previous: \$60.33), with the annual comparison at +11.2% y/y (previous: +8.0%). As such, growth rates are still high, which is positive for private consumption
- We maintain our expectation of a strong labor market, with job creation resuming in coming months, although recognizing headwinds for activity. In this context, we believe some upward adjustments in the unemployment rate could materialize towards the end of the year

Loss of 863.9 thousand jobs in June. With original figures, the unemployment rate came in at 2.78% (see chart below, left), above consensus (2.63%) and our estimate (2.66%). The period has no clear seasonal pattern. Given this, adjustments in the different metrics tend to be more associated with circumstantial factors. It is worth remembering that based on [preliminary 2Q24 GDP figures](#), the economy would have posted a modest expansion in the month. On the other hand, we cannot rule out the possibility that the start of summer vacations at the higher education levels may have had some impact on the labor force. Using seasonally adjusted figures, the unemployment rate increased by 10bps to 2.74%, keeping its distance from the 3% threshold. Back to original figures, the labor force declined by 791.7 thousand people –with the participation rate lower at 59.8%–, with 863.9 thousand fewer employed and 72.2 thousand additional unemployed. With these results, job creation in the last 12 months accumulates 273.1 thousand. Meanwhile, people outside of the labor force expanded by 652.7 thousand, those 'not available for work' up by 611.4 thousand, with those 'available' climbing more modestly, at +41.3 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 10.28%, higher than the last month (9.99%). Despite of the result, we believe that the labor market remains tight, which continues to be reflected in indicators such as wages and low part-time rates.

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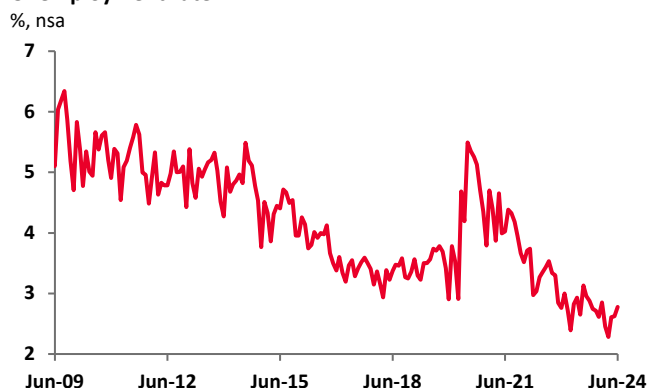
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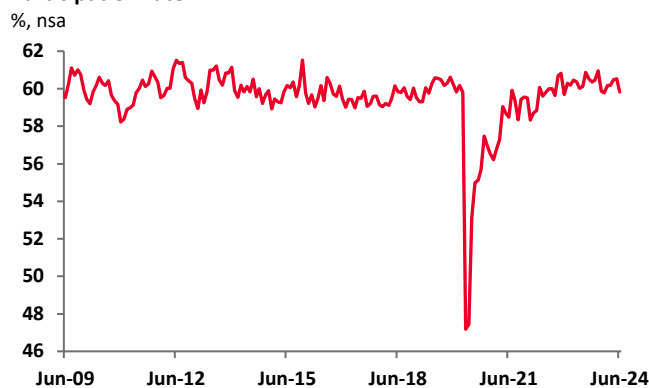


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Unemployment rate



Participation rate



Losses across the formal and informal sector along different categories of economic activity.

Formal employment declined by 33.5 thousand, with positions in informality down by 830.4 thousand. Hence, the informality rate fell to 53.8% (previous: 54.4%). By sectors, industry shed 542.0 thousand positions, with construction concentrating the losses at -479.5 thousand, but with manufacturing also down by 104.9 thousand. Agriculture (-71.1 thousand) and services (-231.6 thousand) also lost positions. Within the latter, declines centered in restaurants and lodging (-377.8 thousand) and professional (-68.2 thousand). Transportation (+210.6 thousand) and social (+55.8 thousand) picked up. The part-time rate ticked up to 7.5%. Finally, average hourly wages came in at \$59.35, down \$0.98 vs. the previous month. The annual rate accelerated to 11.2% (previous: +8.0%). This supports our belief that 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, %


	Jun-24	May-24	Difference
Unemployment rate	2.78	2.62	0.15
Participation rate	59.8	60.5	-0.7
Part-time workers rate	7.5	7.4	0.1
Formal employment	46.2	45.6	0.6
Informal employment ¹	53.8	54.4	-0.6
Working in the informal economy	27.5	28.8	-1.2
Working in the formal economy	26.3	25.7	0.6

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.

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

We expect the labor market to remain resilient despite increased headwinds. We consider it very relevant that employment levels have remained resilient in a context in which economic activity has shown more moderate growth in the last three quarters. In this sense, although the outlook for the remainder of the year remains challenging, we continue to believe that the labor market will remain in a favorable position.

Delving into the performance of the different indicators, our expectation is that job creation will resume, albeit at a more moderate pace –without being able to rule out losses in some months not attributable to seasonal effects. Thus, we believe that the unemployment rate will show modest upward adjustments, with our forecast placing it at around 3.1% by the end of the year. As a result, the participation rate is also likely to remain high, accompanied by fairly low part-time rates. This would continue to be consistent with a tight labor market. Adding this to other factors such as inflation remaining above target and the 'lighthouse effect' of the minimum wage, leads us to believe that wages will continue to grow at high rates, although with base effects resulting in more limited growth rates.



In the medium-term we believe the trend will continue to be positive. Key to explaining this are the structural changes our country is facing, with nearshoring implying the hiring of more personnel, which is consistent with what we have mentioned in previous reports on skilled labor. However, we know that challenges persist in terms of training and knowledge. Specifically, according to OCC's *Labor Thermometer*, 62% of companies surveyed in Mexico believe that young people are not prepared for professional challenges. Thus, the task will be to accompany this growth in demand with the incorporation of more trained people into the workforce.

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