Economic and Financial Markets Research
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Jobs bounce strongly in July as the holidays season ended

- **Unemployment rate (July; nsa): 2.93%; Banorte: 3.09%; consensus: 2.98% (range: 2.78% to 3.19%); previous: 2.78%**
- **Part-time workers rate: 8.1% (previous: 7.5%); participation rate: 61.0% (previous: 59.8%)**
- **In July, 1.4 million jobs were created, much better than the month's usual performance. The number of unemployed persons increased by 136.7 thousand, while the labor force was up by 1.5 million. These factors explain the upward adjustment in the unemployment rate**
- **With seasonally adjusted figures, the unemployment rate fell by 7bps to 2.67%, remaining below 3% for twenty-one consecutive months**
- **The formal sector added 226.7 thousand jobs and the informal sector 1.2 million. As such, the informality rate came in at 54.5% (previous: 53.8%). By sectors, gains centered in the primary sector (890.5 thousand)**
- **Average hourly wages came in at $61.85 (previous: $59.35), higher by +14.1% y/y (previous: +11.2%). This suggests that the labor market remains tight, also helped by the 'lighthouse effect' from other revisions**
- **We believe the labor market will remain strong in the second half of the year, with some sectors showing resilience. However, we expect modest upward adjustments in the unemployment rate and other variables as economic activity moderates further**

Creation of 1.4 million jobs in July. With original figures, the unemployment rate came in at 2.93% (chart below, left), below consensus (2.98%) and our estimate (3.09%). Seasonal patterns are notorious, with summer vacations impacting several components of both the labor force and people outside of it. Some of them are: (1) Students who leave school permanently or temporarily; (2) people who suspend their activities for the holiday period; and (3) people who need to reallocate their time to childcare and other activities. In addition, the demand for employment increases in some services. Using seasonally adjusted figures, which corrects for most of these effects, the unemployment rate fell by 7bps to 2.67%, keeping a sizable distance from the 3% threshold and corroborating the labor market's favorable dynamics. Back to original figures, the labor force increased by 1.5 million people, with 1.4 million more employed and 136.7 thousand additional unemployed. With these results, job creation in the last 12 months accumulates 876.0 thousand. For its part, people outside of the labor force fell by 1.0 million, with those 'available for work' climbing by 267.3 thousand, and with those 'not available' falling by 1.3 million. All of these are consistent with the drivers outlined above. 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 10.60%, higher than the last month (10.28%). Despite of this, we believe the labor market remains tight, as reflected in wages and a low part-time rate.


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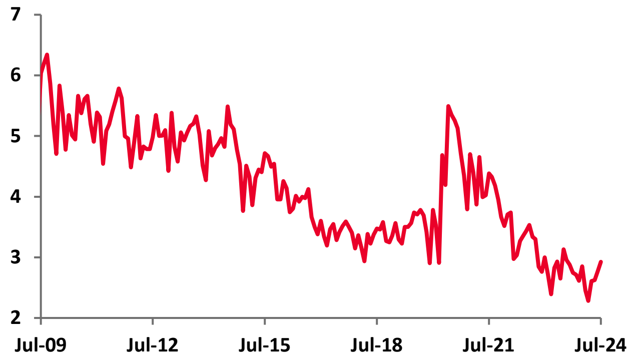
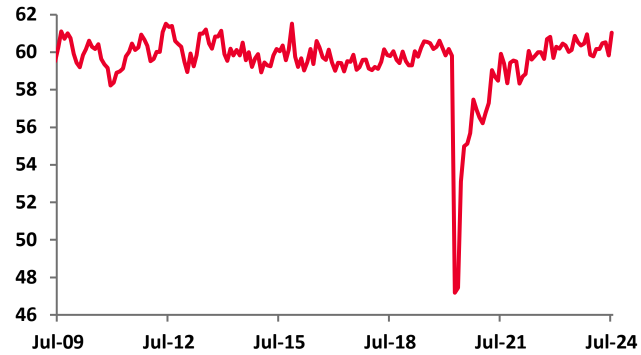
Best Forecaster Economic Indicators for Mexico 2023

Unemployment rate
%, nsa



Source: Banorte with data from INEGI

Participation rate
%, nsa



Source: Banorte with data from INEGI

Strong gains in the informal sector and primary activities. Formal employment rose by 226.7 thousand, with informality up by 1.2 million. Hence, the informality rate climbed to 54.5% (previous: 53.8%). By sectors, agriculture added 890.5 thousand jobs, with more modest gains in services (+317.5 thousand) and industry (+141.1 thousand). Starting with the tertiary sector, the drivers included government (+139.1 thousand), others (+110.9 thousand) and professional (+99.3 thousand). In industry, construction led (+502.2 thousand), with manufacturing down (-345.1 thousand). The part-time rate ticked up to 8.1%. Finally, average hourly wages came in at $61.85, up $2.49 vs. June. The annual rate accelerated to 14.1% (previous: +11.2%). This supports our belief of little labor market slack, the impact from the 'lighthouse effect' due to minimum wage hikes, and other revisions.

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

	Jul-24	Jun-24	Difference
Unemployment rate	2.93	2.78	0.15
Participation rate	61.0	59.8	1.2
Part-time workers rate	8.1	7.5	0.6
Formal employment	45.5	46.2	-0.7
Informal employment[1]	54.5	53.8	0.7
Working in the informal economy	27.9	27.5	0.4
Working in the formal economy	26.6	26.3	0.3

[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

The labor market will remain tight the rest of the year, expecting indicators to show slight adjustments. Labor market strength has been constant in recent months. Since November 2022, the unemployment rate has remained below 3% (using seasonally adjusted figures). This has occurred despite the economic deceleration, especially in the last three quarters. Nevertheless, its extension towards 2H24 could be reflected more clearly in the sector's indicators. Thus, we reaffirm our call that the unemployment rate will be around 3.1% at the end of the year.

Consistent with our view for activity by sectors, we believe that some heterogeneity will prevail. Specifically, job creation in industry (excluding autos) could suffer from greater weakness. In construction, it is not entirely clear that higher demand for industrial spaces can compensate for: (1) The lack of job creation in civil engineering; and (2) the relative weakness in the residential sector. The outlook in autos is more encouraging, with some assembly production lines being reactivated as retooling work is completed. In services, resilience will likely be centered on transportation and logistics, as well as sectors with more stable demand, including education and healthcare. On the other hand, we have some doubts about discretionary spending-oriented sectors such as entertainment, restaurants and lodging.

Nonetheless, we will keep a close eye on the possible effect that the depreciation of the MXN could have on the country’s attractiveness to international travelers.

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, 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 Hernandez, 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.

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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