Seasonal drivers impact labor market indicators in August

- **Unemployment rate (August; nsa): 3.04%; Banorte: 2.88%; consensus: 2.91% (range: 2.80% to 3.00%); previous: 2.93%**

- **Part-time workers rate: 8.0% (previous: 8.1%); participation rate: 60.2% (previous: 61.0%)**

- **In August, 626.8 thousand jobs were lost, highlighting a mixed seasonal pattern in the month. The number of unemployed increased by 50.9 thousand, with the labor force contracting by 575.9 thousand. These factors explain the upward adjustment in the unemployment rate**

- **With seasonally adjusted figures, the unemployment rate increased by 8bps to 2.76%, adding 22 consecutive months below the 3% threshold**

- **The formal sector shed 158.4 thousand jobs, with the informal one eliminating 468.4 thousand. Thus, the informality rate came in at 54.3% (previous: 54.5%). By sectors, losses concentrated in services (-620.0 thousand)**

- **The average hourly wage stood at $61.13 (previous: $61.85), with the annual metric moderating to 12.6% (previous: +14.1%). We believe elevated rates will continue in the remainder of 2024 and throughout 2025**

- **Considering challenges for activity in coming months, we continue to anticipate modest upward adjustments in the unemployment rate. Despite of the latter, labor market tightness will continue, contributing to further wage growth and extending the resilience of consumption**

Loss of 626.8 thousand jobs in August, with a mixed seasonal pattern in the context of summer vacations. With original figures, the unemployment rate stood at 3.04% (chart below, left), above consensus (2.91%) and our estimate (2.88%). As expected, labor market figures are distorted by the end of the holiday period, with the return to classes at different levels progressively throughout the month. In this sense, the main move comes as a response of two opposing adjustments –part of the population resuming their studies and leaving the 'available for work' and 'employed' groups, and those people regaining the possibility of looking for a job by having more available time after the summer. Other metrics such as the part-time rate and wages continue showing signs of strength in the labor market. Using seasonally adjusted figures, the unemployment rate increased by 8bps to 2.76%, keeping a considerable distance from the 3% threshold, corroborating the favorable situation on this front.

Back to original figures, the labor force contracted by 575.9 thousand people, with -626.8 thousand employed and +50.9 thousand unemployed. Thus, the participation rate came in at 60.2% (see graph below, right), still above its long-term average. With these results, job creation in the last 12 months accumulates 518.8 thousand. Meanwhile, people outside of the labor force increased 1.1 million, with those 'available for work' rising by 148.2 thousand and those 'not available' expanding by 906.6 thousand, consistent with what was mentioned in the paragraph above. As in previous occasions, we add the 'available for work' not in the labor force group to both the unemployed and the labor force to better reflect market conditions. With this, the 'expanded' unemployment rate stood at 10.97%, 36bps above July's level (10.60%).

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

BANORTE

Unemployment rate
%, nsa

Source: Banorte with data from INEGI

Participation rate
%, nsa
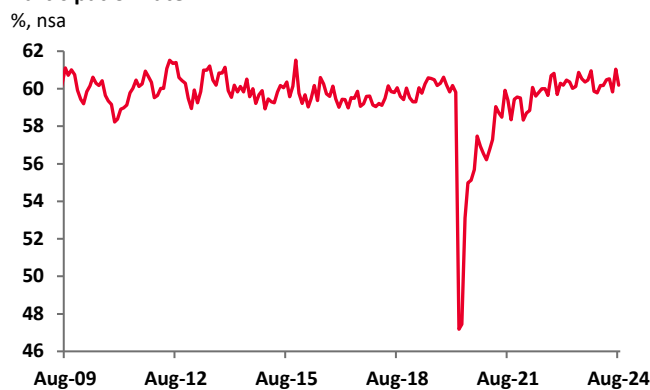
Source: Banorte with data from INEGI

Losses in the informal sector and services. Formal employment declined by 158.4 thousand, with those in informality down by 468.4 thousand. Hence, the informality rate fell to 54.3% (previous: 54.5%). By sectors, services shed 620.0 thousand jobs, with agriculture losing 226.8 thousand. Starting with the tertiary sector, the contraction was widespread, noting 'diverse' (-420.3 thousand), government (-211.7 thousand), and commerce (-140.3 thousand). On the contrary, industry added 196.4 thousand, with manufacturing up (+388.5 thousand), but with construction down (-185.1 thousand). The part-time rate ticked down to 8.0%. Finally, average hourly wages came in at $61.13, down $0.72 vs. July. The annual rate moderated to 12.6% (previous: +14.1%), although remaining high. 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, %

	Aug-24	Jul-24	Difference
Unemployment rate	3.04	2.93	0.11
Participation rate	60.2	61.0	-0.8
Part-time workers rate	8.0	8.1	-0.1
Formal employment	45.7	45.5	0.2
Informal employment[1]	54.3	54.5	-0.2
Working in the informal economy	28.3	27.9	0.4
Working in the formal economy	26.0	26.6	-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

The labor market will remain tight despite our view of slight upward adjustments in the unemployment rate. Despite a challenging outlook for activity in 2H24 –anticipating more limited economic growth–, we believe that sector indicators will continue to show at best strength, but at worst resiliency. In this context, and consistent with the moderation of activity, we expect a slight uptick in the unemployment rate in coming months, with the metric closing 2024 between 2.9% and 3.0% (using seasonally adjusted figures).

On wages, our view is that they will keep rising, in large part due to tight conditions. In this regard, Banxico's Deputy Governor, Jonathan Heath, spoke in our *Norte Económico* podcast (available only in Spanish) about this variable, noting that "...*we are still seeing relatively strong wage revisions. The latest figures from IMSS show revisions above 9%...*". In line with this, contractual agreements by PEMEX and its union for the 2024-2025 period at the end of July (+5% salaries and +2% benefits) reaffirm this trend. In addition, we believe that the push of the 'lighthouse effect' of the minimum wage revisions will continue, with the new administration's goals also implying substantial adjustments.

In contrast, and focusing on the supply side, *PageGroup*'s *2024-2025 Salary Guide* reflects that there is greater uncertainty about workers' job security. Specifically, the report highlights that "*...today we note that only 49% of the talent surveyed is confident that they will not lose their job, compared to 58% who expressed this level of confidence last year.*" According to the group's director, Oliver Odreman, some of the reasons that could explain such a change include the election year and the economic climate.

Analyst Certification.

Relevant statements.

Directory
Research and Strategy

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

Raquel Vázquez Godinez
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

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

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

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

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

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

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

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

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

Market Strategy

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

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

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

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

Hugo Armando Gómez Solís
Senior Strategist, Equity
hugoa.gomez@banorte.com
(55) 1670 - 2247

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

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

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

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

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

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

Quantitative Analysis

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

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

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

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

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

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

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

BANORTE