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Job losses for a second consecutive month, although other indicators still suggest strength

- **Unemployment rate (September; nsa): 2.92%; Banorte: 2.98%; consensus: 3.00% (range: 2.97% to 3.10%); previous: 3.04%**
- **Part-time workers rate: 8.2% (previous: 8.0%); participation rate: 60.0% (previous: 60.2%)**
- **In September, 276.0 thousand jobs were lost, extending the previous month's losses. As such, so far in the year, 335.2 thousand positions have been created**
- **The number of unemployed decreased by 81.2 thousand, with the labor force contracting by 357.1 thousand. These factors explain the downward adjustment in the unemployment rate. Outside of the labor force, those catalogued as 'available' decreased by 313.1 thousand**
- **With seasonally adjusted figures, the unemployment rate declined by 3bps to 2.74%, remaining below the 3% threshold for a 23rd consecutive month**
- **The formal sector eliminated 88.2 thousand jobs, with the informal one erasing 187.8 thousand. Thus, the informality rate came in at 54.2% (previous: 54.3%). By sectors, losses concentrated in industry (456.2 thousand)**
- **The average hourly wage stood at $61.09 (previous: $61.13), with the annual metric moderating to 10.2% (previous: +12.6%). We believe elevated rates will continue in the remainder of 2024 and throughout 2025, with several drivers in play**
- **Labor market strength will prevail for the remainder of 2024, although we expect some upward adjustments to the unemployment rate toward the end of the year. In 2025, despite a more challenging outlook for activity, we believe employment conditions will remain relatively positive**

Second month of job losses, with other metrics more stable at the margin. With original figures, the unemployment rate stood at 2.92% (graph below, left), below consensus (3.00%) but closer to our estimate (2.98%). It is relevant to note that the adjustment takes place in a context where job losses in August were large, contrasting with the usual pattern for that month. Thus, it is somewhat surprising that in the ninth month of the year there was an additional elimination of jobs. Other metrics, such as the labor force, continued to move, still responding to the distortions stemming from the end of the summer holiday and the return to classes. However, in broad terms, the underemployment rate and wages continued to show signs of strength. Using seasonally adjusted figures, the unemployment rate fell by 3bps to 2.74%, still maintaining a considerable distance from the 3% threshold, corroborating the favorable situation on this front.

Back to original figures, the labor force decreased by 357.1 thousand, with -276.0 thousand employed and -81.2 thousand unemployed. Thus, the participation rate moved to 60.0% (see graph below, right), still above its long-term average. With these results, job creation in the last 12 months accumulates 335.2 thousand positions. On the other hand, people outside of the labor force increased by 132.9 thousand, with those 'available for work' down by 313.1 thousand, but with those 'not available' expanding by 446.0 thousand. As in previous occasions, we added to the 'available for work' not in the labor force both to the unemployed total and the labor force to better reflect market conditions. This took the 'expanded' unemployment rate to 10.49%, 48bps below August's level (10.97%), consistent with other positive metrics.


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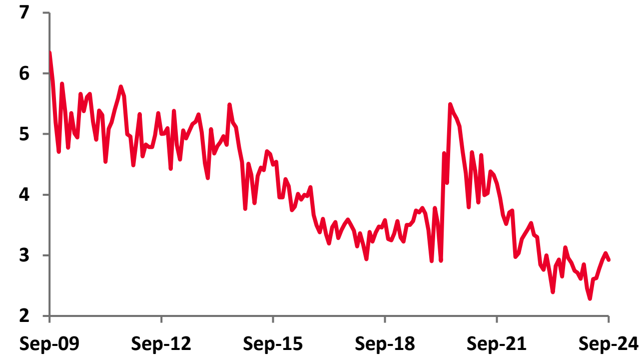
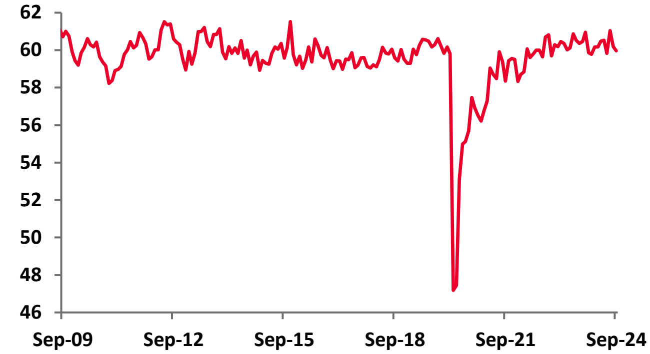
Unemployment rate
%, nsa



Source: Banorte with data from INEGI

Participation rate
%, nsa



Source: Banorte with data from INEGI

Broad job losses. Formal employment declined by 88.2 thousand, with those in informality down by 187.8 thousand. Hence, the informality rate fell to 54.2% (previous: 54.3%). By sectors, industry shed 456.2 thousand jobs, with agriculture losing 422.1 thousand. Starting with the secondary sector, the contraction was widespread, noting manufacturing (-239.5 thousand) and construction (-147.6 thousand). On the contrary, services added 693.0 thousand, with diverse leading (+502.5 thousand), but with gains also in government (+125.3 thousand) and social (+122.1 thousand). The part-time rate ticked up to 8.2%. Finally, average hourly wages came in at $61.09, down $0.03 vs. August. The annual rate moderated to 10.2% (previous: +12.6%), 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, %

	Sep-24	Aug-24	Difference
Unemployment rate	2.92	3.04	-0.11
Participation rate	60.0	60.2	-0.2
Part-time workers rate	8.2	8.0	0.2
Formal employment	45.8	45.7	0.1
Informal employment[1]	54.2	54.3	-0.1
Working in the informal economy	28.2	28.3	-0.1
Working in the formal economy	26.1	26.0	0.1

[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 strength of the labor market will continue in 2024, although there is a possibility of slight downward adjustments in the unemployment rate. With today's data, the average unemployment rate for the quarter decreased by 3bps vs. 3Q23. In our view, this is quite positive, considering some headwinds such as: (1) Larger adjustments related to summer seasonality; and (2) a moderation in some specific sectors of activity, such as construction and non-discretionary services. Considering the latter, our expectation is that by the end of the year the unemployment rate will continue to adjust upwards, hovering around 3% (seasonally adjusted figures).

That said, we continue to maintain an optimistic view on the labor market and labor demand. Specifically, regarding the latter, we believe that it will be able to maintain a certain level of strength in 2025, with some tailwinds on the horizon. Among these we highlight: (1) The start of some infrastructure projects at the federal level; (2) the increase in the minimum wage and the 'lighthouse effect' associated with it; (3) the boost of nearshoring –especially in northern and central states of the country; (4) a relative improvement in primary activities (with lower levels of drought) despite possible frost in the first months of the year; (5) the possible acceleration of industrial activity in the US; and (6) labor shortages in technical positions, but also in the countryside.

Regarding wages, we will be looking forward to negotiation (workers, employers and government) for the adjustment to the minimum wage in 2025. For the time being, COPARMEX has proposed a 12% increase. The president of the Confederation indicated in a labor forum that the goal of reaching the national welfare line that could be achieved in 2026. All things considered, it is important to note that we anticipate that in both the short- and medium-term total payrolls will remain strong, supporting domestic consumption.

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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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