

## Slight bump in the road for the labor market in April

- **Unemployment rate (April; nsa): 2.82%; Banorte: 2.79%; consensus: 2.75% (range: 2.47% to 2.80%); previous: 2.39%**
- **Part-time workers: 8.4% (previous: 6.8%); Participation rate: 60.4% (previous: 60.5%)**
- **In April, 112.2 thousand jobs were lost, below its usual trend, although after a couple of months of substantial progress in this front**
- **The labor force rose by 152.3 thousand, with those unemployed up by 264.5 thousand. The combination of these factors explains the higher unemployment rate**
- **The participation rate had a slight step back, while the part-time rate had a relevant increase. Outside of the labor force, those catalogued as ‘available for work’ decreased by 280.4 thousand**
- **Seasonally adjusted, the unemployment rate increased by 5bps to 2.83%, which remains quite low**
- **In the informal sector, 230.3 thousand jobs were lost, with the formal sector adding 118.1 thousand positions. As such, the informality rate fell to 54.7% (previous: 55.0%)**
- **Average hourly wages came in at \$54.36 (previous: \$51.55), which implies +8.8% y/y (previous: 10.6%). We still believe that performance is supported by the ‘lighthouse effect’ associated with the increase in the minimum wage, in a context of tight labor market conditions**
- **The labor market will likely maintain its strength in coming months, albeit with risks toward the end of the year persisting**

**Job lost in April at 112.2 thousand, with a less favorable seasonal effect on the unemployment rate.** With original figures, the unemployment rate stood at 2.82% (graph below, left), above consensus (2.75%) but closer to our estimate (2.79%). The result is consistent with its typical seasonal pattern, recalling that the metric tends to be higher due to distortions from the *Easter* holiday. Seasonally adjusted, the rate climbed to 2.83% from 2.78%, which is still quite low. Back to original data, the labor force increased 152.3 thousand, with 112.3 thousand less employees and +264.5 thousand unemployed. We note that jobs were below their long-term average for the period (around +70 thousand positions), albeit recognizing that it could be facing a challenging base effect after relevant increases in previous months. The labor force tends to increase, which did materialize. Despite of this, given that this was outweighed by a larger population, the participation rate moderated to 60.4% (previous: 60.5%). Meanwhile, people outside of the labor force increased by 263.0 thousand, with the expansion driven by those catalogued as ‘not available for work’ (+543.4 thousand), but with those ‘available’ down by 280.4 thousand. In our view, these figures keep signaling that the labor market maintains a solid position despite of its marginal deterioration, acknowledging that some volatility is not surprising. In this backdrop, total employees reached 59.0 million.

June 2, 2023

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

Juan Carlos Alderete Macal, CFA  
Executive Director of Economic Research and  
Financial Markets Strategy  
[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)

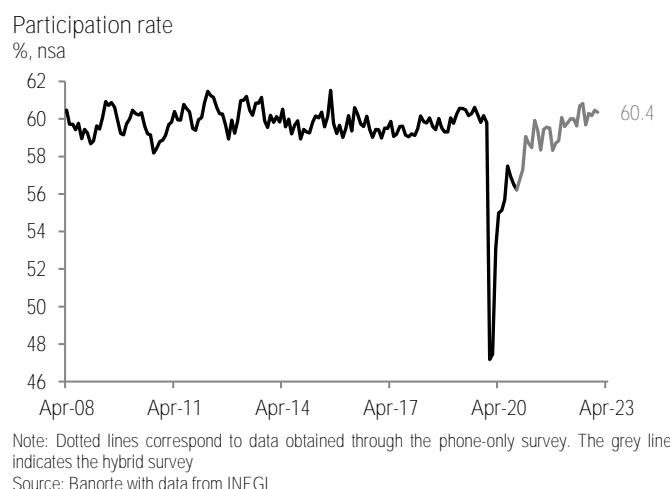
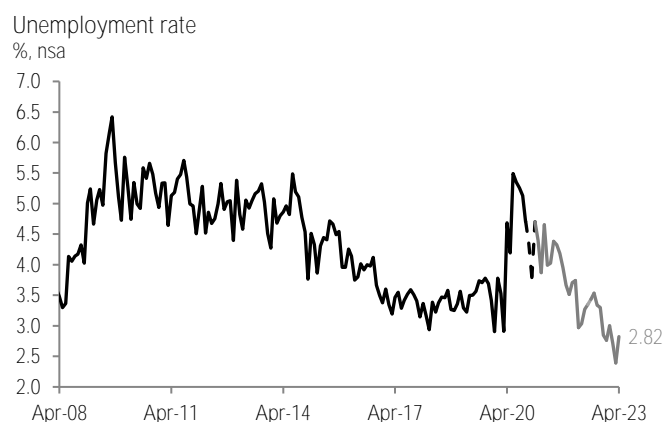
Francisco José Flores Serrano  
Director of Economic Research, Mexico  
[francisco.flores.serrano@banorte.com](mailto:francisco.flores.serrano@banorte.com)

Yazmín Selene Pérez Enríquez  
Senior Economist, Mexico  
[yazmin.perez.enriquez@banorte.com](mailto:yazmin.perez.enriquez@banorte.com)

Cintia Gisela Nava Roa  
Senior Economist, Mexico  
[cintia.nava.roa@banorte.com](mailto:cintia.nava.roa@banorte.com)

Document for distribution among the  
general public

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 labor market conditions. With this, the ‘expanded’ unemployment rate stood at 10.5%, unchanged vs. March, supporting our favorable view.



**Informal employees and industry drive job losses.** The informal sector shed 230.3 thousand jobs, while the formal sector added 118.1 thousand. The latter is better than IMSS data, which showed just +24.0 thousand jobs (original figures). As a result, the informality rate declined to 54.7% (previous: 55.0%). By sectors, industry led lower (-742.6 thousand), with increases in services (+194.4 thousand) and the primary sector (+460.7 thousand). Within the former, the decline was generalized, albeit with construction (-400.0 thousand) and manufacturing (-295.4 thousand) being the most affected. In the second ones, we saw a relevant increase in restaurants and lodging (+169.3 thousand), with transportation lower (-164.2 thousand). On the other hand, the part-time rate increased sharply to 8.4%, nearing its long-term average. Finally, the average hourly wage came in at \$54.36, accelerating by \$2.26 vs. the previous month. However, it moderated to 8.8% y/y (previous: +10.6%). The result is still influenced by the ‘lighthouse effect’ from the minimum wage in a tight labor market.

#### INEGI's employment report

Non-seasonally adjusted figures

%	Apr-23	Mar-23	Difference
Unemployment rate	2.82	2.39	0.43
Participation rate	60.4	60.5	-0.1
Part-time workers rate	8.4	6.8	1.6
Formal employment	45.3	45.0	0.3
Informal employment <sup>1</sup>	54.7	55.0	-0.3
Working in the informal economy	27.5	28.2	-0.6
Working in the formal economy	27.2	26.8	0.3

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

Source: INEGI

<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

**The labor market will likely remain strong in the short-term, albeit with risks towards the end of the year.** We still believe that the labor market remains in a favorable position despite today's results. Thus, the synergy between activity, employment, and consumption is still an important factor in our 2023 GDP estimate at 2.0%. While we think that results will remain favorable in coming months, we cannot dismiss [some recent signs of a slowdown](#), so we will be closely watching employment results in the next few releases.

One thing that we think will underpin strength is that the labor market seems very tight, with the unemployment rate below the level that we consider to be full employment. Anecdotally, several employers have commented that the cost of acquiring and retaining employees has increased. The president of the Mexican Association of Human Capital Companies (AMECH), Héctor Márquez, endorsed this, commenting that “...*employers have to offer more competitive salaries in order to attract and retain their personnel...*”. This is one of the basic characteristics of a tight market, with strong labor demand inducing higher prices—in this case, wages—to keep or hire employees. We believe this factor, along with the ‘lighthouse effect’ of the minimum wage hike and recent years of high inflation, have also impacted compensation growth.

Towards the end of the year risks appear to be climbing, highlighting our forecast of a moderation in activity—impacted by lower external demand. While this could translate into a deterioration of the labor market, we believe that the difficulty in attracting labor faced by some companies could result in more moderate adjustments relative to similar periods. In addition, the labor market could remain stronger than previously anticipated given a favorable outlook for growth in 2024.

## Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	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.

**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**

<b>Research and Strategy</b>			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	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
<b>Economic Research</b>			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets 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
Yazmin 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) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
<b>Market Strategy</b>			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
<b>Fixed income and FX Strategy</b>			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
<b>Equity Strategy</b>			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
<b>Corporate Debt</b>			
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
<b>Quantitative Analysis</b>			
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
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
<b>Wholesale Banking</b>			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaltos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899