

## Job gains resume, with a sharp decline in the unemployment rate

- **Unemployment rate (June; nsa): 2.65%; Banorte: 3.03%; consensus: 3.00% (range: 2.90% to 3.07%); previous: 2.93%**
- **Part-time workers: 7.9% (previous: 8.1%); Participation rate: 60.1% (previous: 60.0%)**
- **In June, 419.1 thousand jobs were created, better than the gains seen in the last two years, but not enough to reverse April and May's losses**
- **The labor force increased by 258.4 thousand, with those unemployed decreasing by 160.6 thousand. The combination of these factors explains the fall in the unemployment rate**
- **The participation rate came in slightly higher, while the part-time rate moderated once again. Outside of the labor force, those catalogued as 'available for work' declined by 404.3 thousand**
- **Seasonally adjusted, the unemployment rate also had an improvement, standing at 2.68% from 2.97%**
- **In the informal sector, 568.1 thousand jobs were created, while 250.6 thousand positions were lost in the formal sector. As such, the informality rate climbed to 55.5% (previous: 55.2%)**
- **Average hourly wages came in at \$53.39 (previous: \$55.89), with the annual pace at +9.6% (previous: 14.5%), continuing with a positive trend as a combination of several factors keep pushing them higher**
- **We believe that the tightness in the labor market will continue in the short-term, although we remain on the look to the performance of indicators in a context of a possible moderation in activity**

**The unemployment rate falls sharply in June, accompanied by more job posts.** With original figures, the rate stood at 2.65% (graph below, left), lower than consensus (3.00%) and our estimate (3.03%). This is likely related to good economic conditions, with strong activity that demands additional jobs to fuel further growth. We also note a mild seasonal skew related to the start of the summer holidays what this entails on the composition of the labor force. As such, in seasonally adjusted terms, the rate fell to 2.68% from 2.97%, remaining below 3% for an eighth consecutive month. Back to original data, the labor force increased by 258.4 thousand, with +419.1 thousand employees and -160.6 thousand unemployed. Job gains were higher than those seen in the last two years (228.0 thousand on average). The result puts a stop to the losses seen in the last two months and implies that 726.9 thousand positions have been created so far this year, with +1.3 million jobs in the last 12 months. In this context, the participation rate rose to 60.1% from 60.0%. Meanwhile, people outside the labor force decreased by 1.8 thousand, with a drop in those 'available to work' (-404.3 thousand), albeit with those 'not available' climbing by 402.5 thousand.

July 27, 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)

Winners of the 2023 award for best  
Mexico economic forecasters,  
granted by *Focus Economics*



Document for distribution among the  
general public

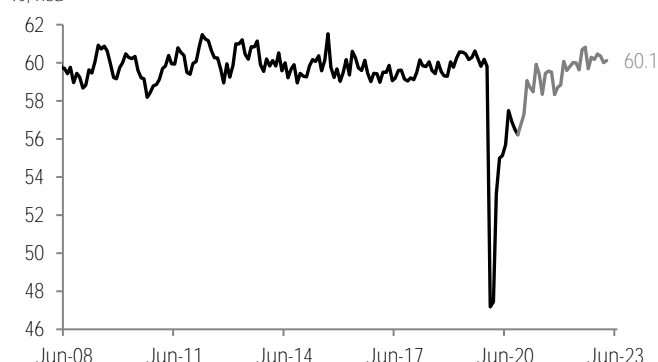
This result suggests that the loss of positions in the last two months doesn't relate to a deterioration in the labor market, but more to a temporary distortion. In this backdrop, total employees reached 58.7 million. As in previous reports, we added those 'available for work' not in the labor force both to the unemployed and the labor force to better reflect labor market conditions. With this, the 'expanded' unemployment rate stood at 10.11%, down 84bps relative to May and in line with other figures in the report.

Unemployment rate  
%, nsa



Note: Dotted lines correspond to data obtained through the phone-only survey. The grey line indicates the hybrid survey.  
Source: Banorte with data from INEGI

Participation rate  
%, nsa



Note: Dotted lines correspond to data obtained through the phone-only survey. The grey line indicates the hybrid survey.  
Source: Banorte with data from INEGI

### New positions focused in the informal sector, with wage gains continuing.

The informal sector added 568.1 thousand new positions, with the formal branch shedding 250.5 thousand jobs. As a result, the informality rate increased to 55.5% (previous: 55.2%). By sectors, employment in primary activities rose by 87.5 thousand positions, with services up by 50.1 thousand. In the latter, restaurants and lodging led gains (+356.7 thousand), albeit with notable losses in commerce (-217.6 thousand). However, the driver behind the expansion was industry at +287.4 thousand. Inside, both manufacturing (+192.0 thousand) and construction (+147.5 thousand) had relevant increases. On the other hand, the part-time rate moderated to 7.9%, further below its long-term average. Finally, the average hourly wage came in at \$53.39, lower by \$2.50 vs. the previous month. However, the annual rate maintained a healthy pace of expansion at 9.6% (previous: +14.5%). The result continues to be influenced by previously built-up inflationary pressures and the lighthouse effect from the increase in the minimum wage at the beginning of the year. However, we believe the effects of the latter are being amplified given tight conditions in the labor market.

#### INEGI's employment report

Non-seasonally adjusted figures

%	Jun-23	May-23	Difference
Unemployment rate	2.65	2.93	-0.28
Participation rate	60.1	60.0	0.1
Part-time workers rate	7.9	8.1	-0.2
Formal employment	44.5	44.8	-0.3
Informal employment <sup>1</sup>	55.5	55.2	0.3
Working in the informal economy	28.9	28.2	0.6
Working in the formal economy	26.6	26.9	-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

**Tightness in the labor market prevails, likely extending to coming months.**

We continue to think that the job creation will continue for the remainder of the year. This is based on our constructive view on economic activity, despite some signs of a moderation in specific sectors. As such, we could see some divergent trends in the demand for labor. In addition, we anticipate that wages will continue climbing, supported by tightness in the market, remembering that the unemployment rate remains below 3% and levels which we consider to be full employment.

According to an analysis carried out by Coparmex, along with IMCO, currently 40% of the member companies report that their main challenge is the difficulty in filling their positions. By sectors, manufacturing and wholesales are those that face the biggest challenges of personnel insufficiency. In line with the latter, the report *'Risks in Mexico and Central America 2023. Strengthen the resilience given global uncertainty'* by KPMG Mexico, concluded that 68% of the surveyed companies considered that the main internal risk is the lack of trained personnel. In this regard, we believe that this factor will continue to be relevant –especially in the north and in the Bajío regions– due to the effect of nearshoring. Finally, staff turnover is another factor that is on the rise –at least since the pandemic–, and of which we will continue to pay attention, especially due to its effects on the dynamism of the labor market.

Based on the latter, we anticipate that the tightness of the market will continue in the short-term, although not ruling out some mild volatility in figures, as evidenced by the last two months. However, we will continue to follow closely the indicators as the pace of expansion in activity likely moderates in 2H23, situation which we believe could push some indicators, such as the unemployment rate, a tick higher.

## 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, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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 Thalia 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
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@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
Jazmin Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@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.cebillos@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