

## Job losses continued in May, albeit at a more modest pace

- Today, the Social Security Institute (IMSS) released formal employment figures for May
- We highlight the loss of 344.5 thousand formal jobs, moderating relative to the decline of 555.2 thousand in April. As a result, total workers stood at 19.6 million, lowest since January 2018
- Moreover, 3,295 businesses were removed from the affiliation list (-0.3% m/m), also extending the trend of the previous month but at a more favorable pace. On the other hand, the average daily wage increased to \$408.0 (US\$17.42, +5.1% y/y in real terms)
- Going forward, we expect marginal job gains as soon as the next month, supported by the reopening of some activities. Nevertheless, given the persistently high levels of uncertainty, we cannot rule out additional losses

**COVID-19 pandemic keeps showing in jobs data.** Today, the Social Security Institute (IMSS) released its formal employment report for May. We highlight the elimination of 344.5 thousand formal jobs, representing the fourth highest decline for a single month in the history of the series (see chart below on the left). In a more positive tone though, it is lower than the 555.2 thousand lost in April, its highest ever. As a result, the total number of workers stood at 19.6 million, not observed since January 2008 (chart below, right). With these figures, 838.3 thousand jobs have been shed year-to-date, as the accumulated decline in the last three months has been slightly above one million.

**An additional decline in affiliated businesses...** Specifically, the number of businesses that were removed from the affiliation list stood at 3,295, representing a 0.3% m/m decline. Although still negative, losses at the margin were lower than in the previous month, when they reached 6,689 (-0.7% m/m). In a similar fashion to April, these dynamics could be explained both by temporary and permanent shutdowns of activity.

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@analisis\_fundam

**Juan Carlos Alderete, CFA**  
Director of Economic Research  
juan.alderete.macal@banorte.com

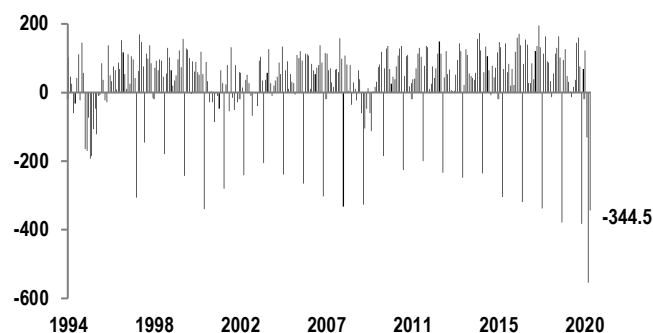
**Francisco Flores**  
Senior Economist, Mexico  
francisco.flores.serrano@banorte.com

Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



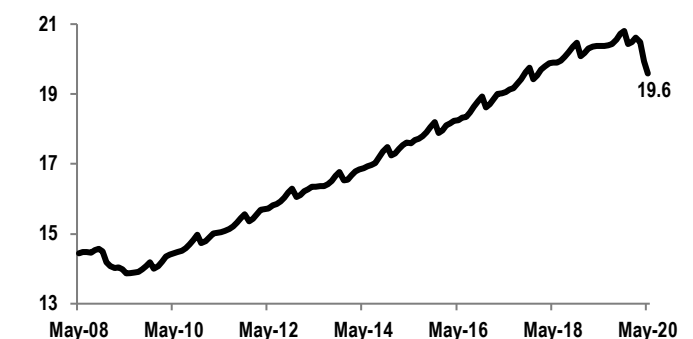
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**Formal employment: Monthly change**  
Thousands



Source: IMSS, Ministry of Labor

**Formal employment: Total workers enrolled in Social Security**  
Millions



Source: IMSS, Ministry of Labor

**...while average wages keep rising.** The average daily wage picked up to \$408.0 (US\$17.4), +5.1% y/y in real terms, representing a slight deceleration relative to the 5.7% of the previous month. Specifically, this slowdown is mostly explained by inflation pressures as the annual rate increased to 2.84% from 2.15% (+69bps). In contrast, nominal wages were only 8.1% higher (vs 8.0% in April). Once again, we believe this is influenced by the fact that job losses were concentrated among low-wage workers, skewing the overall result to the upside.

**Marginal gains more likely in June.** In particular, we believe today's report reinforce other signals that economic activity improved in May, despite remaining weak. On the other hand, we think that June could show net gains, especially because the "National Period of Healthy Distance" ended in said month. Nevertheless, this will likely be modest, given that most of the country is still in the "red light" phase according to the government's [plan to reopen the economy](#), in which only essential activities can be carried out. An additional positive factor is that other industries were designated as such, including mining, transportation, and construction. In our view, the latter could be one of the drivers of the recovery, as it has been one of the most impacted while it is also labor-intensive. Nevertheless, uncertainty remains high and aggregate demand is more depressed. In this context, while we could see some marginal gains, we cannot rule out that businesses defer their hiring decisions given this scenario. Therefore, losses could continue, albeit at much more moderate pace.

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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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<b>SELL</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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

<b>Research and Strategy</b>			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
<b>Economic Research and Financial Market Strategy</b>			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
<b>Economic Research</b>			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	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>			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
<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
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
<b>Corporate Debt</b>			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
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>Economic Studies</b>			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
<b>Wholesale Banking</b>			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
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 - 1002
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) 8318 - 5071
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) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.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) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454