

Job losses of people affiliated to IMSS continue in July, although at a more modest pace

- Today, the Social Security Institute (IMSS) released its employment figures for July
- During the month, 3,907 jobs of persons affiliated to the institute were lost, moderating sharply relative to the last four months. Thus, accumulated losses since March reached 1.1 million positions
- As a result, total workers stood at 19.5 million, lowest since December 2017
- 725 businesses were added to the list, with two consecutive months higher. In our opinion, this is positive and consistent with signs of stronger economic activity in the month
- Average daily wages came in at \$405.2 (US\$18.1), increasing 2.7% y/y in real terms, lower than in June (4.7%), both on lower nominal wages and higher inflation
- Considering recent dynamics and other activity data, we expect positive job creation as soon as in August. Nevertheless, risks for additional losses prevail as the backdrop remains complex

Jobs according to persons affiliated to IMSS kept declining in July, although at a more modest pace. Today, the Social Security Institute (IMSS) released its employment report for July. Within, we highlight the elimination of 3,907 formal jobs, moderating relative to losses in each of the last four months (see chart below, left). We note this contrasts with the recent trend in broader employment figures compiled by INEGI, which showed an increase in both the formal and informal sectors in June. According to IMSS’s figures, the accumulated decline since March stands at 1,117,584, highest for any five-month period since data is available. As a result, total formal employees stood at 19.5 million, lowest since December 2017 (chart below, right).

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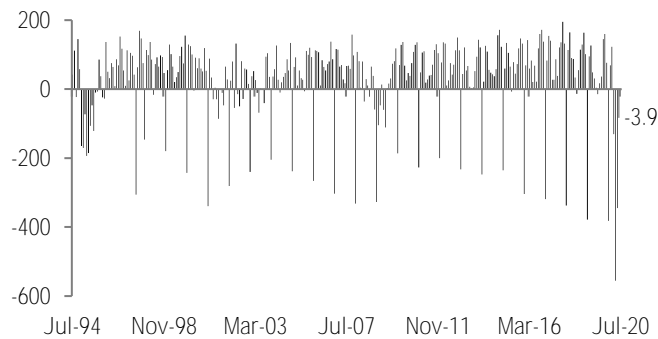
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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



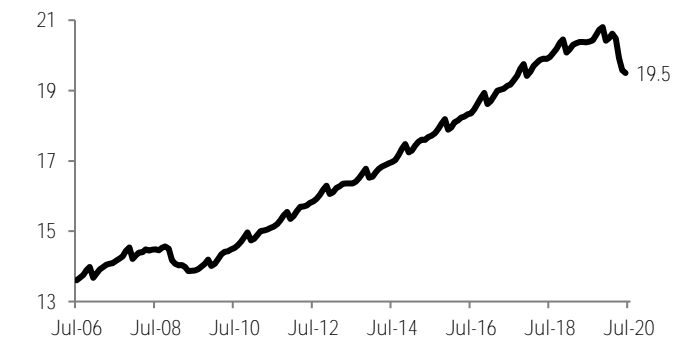
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Formal employment: Monthly change
Thousands



Source: IMSS, Ministry of Labor

Formal employment: Total workers enrolled in Social Security
Millions

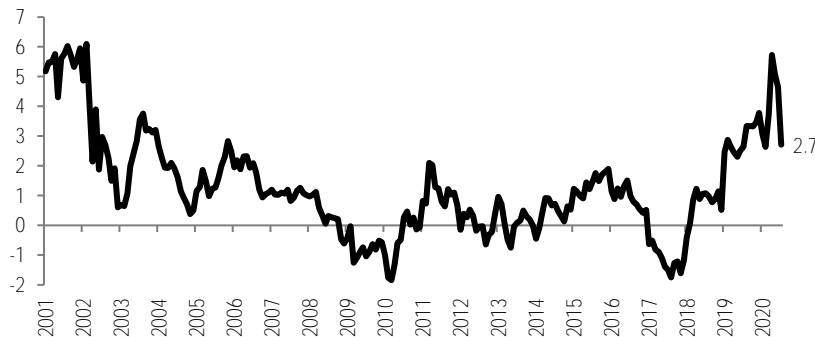


Source: IMSS, Ministry of Labor

Business affiliations continue to increase. Specifically, the number of businesses added to the list stood at 725, with two consecutive months higher (previous: +2,823). With today’s print, the YTD number stands at -478, with the corresponding figure from March to July –since the pandemic started– stands at -6,436. We believe the restart of the economy, which seems to have gathered additional steam in July, is probably behind this acceleration. This should be positive and could extend if the recovery speeds up and businesses are able to higher more employees back.

The rate of expansion of average wages continues slowing down. The average daily wage came in at \$405.2 (US\$18.1), +2.7% y/y in real terms, a deceleration relative to the 4.7% of the previous month (see chart below). This is influenced partly by inflationary pressures, with the annual rate to 3.62% from 3.33% (+29bps) in the same period. Meanwhile, nominal wages came in at +6.4%, also below June’s figure (+8.1%). We consider that the later explained by the moderation in job losses, which was the main driver behind its increase in previous months. In this sense, we expect wages to start to continue to moderate their pace of growth, even possibly declining due to: (1) A high degree of slack in the labor market; and (2) as workers with low wages come back into the labor market.

Average daily wage
% y/y in real terms



Source: IMSS, Ministry of Labor

We expect job creation to start in August. It should be noted that today’s print was contrary to our expectations, as we anticipated net creation as soon as this month. Nevertheless, we still observed moderate losses. We believe this could be related to a lag in some businesses’ decisions, which may have tried to keep employees as long as possible, although given the economic backdrop, they eventually had to lay them off. Nevertheless, positive signals are starting to show up, such as the improvement of business affiliations in June, laying the groundwork for new hires. In this respect, president Andrés Manuel López-Obrador said today that around 30 thousand people has been already hired in August. In addition, activity data such as IMEF’s PMIs and the auto sector, among others, seem to confirm that an increase in employment associated to IMSS could materialize in the short-term. As already mentioned, this could translate into lower average wages, as relatively more low-wage workers are rehired, while the number of businesses will likely keep climbing. Nevertheless, risks for additional losses prevail as the backdrop remains complex.

Certification of Analysts.

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 Thalía 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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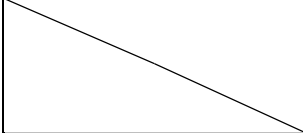
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