

Employment affiliated to IMSS begins its recovery in August after five months of declines

- On Saturday, the National Social Security Institute (IMSS) released its employment figures for August
- During the month, 92,390 jobs were created of persons affiliated to the institute, breaking with five consecutives of declines. Still, accumulated losses year-to-date stand at 833.1 thousand positions. As a result, total workers climbed back to 19.6 million
- Business affiliation continues to improve, with 1,027 companies added to the list, with three consecutive months higher. In our opinion, this is positive and consistent with signs of higher economic activity in recent months
- Average daily wages came in at \$404.1 (US\$18.1), increasing 2.3% y/y in real terms, lower than in July (2.7%), explained by an additional pick-up in inflation
- Job gains could extend in the short-term given the reopening of more businesses, especially in services. However, latest signs on activity have been mixed, possibly limiting a strong rebound

Jobs affiliated to IMSS improved in August. On Saturday, the National Social Security Institute (IMSS in Spanish) released its employment report for the eighth month of the year. Within, we highlight the creation of 92,390 jobs affiliated to the institute, breaking with five months of declines that started in March, as the COVID-19 induced lockdown started (see chart below, left). This is finally starting to be more consistent both with the overall trend of the economy, which showed signs of a recovery since June, as well as with INEGI's broader employment report, which has shown improvements since the same month. According to IMSS's figures, the accumulated decline year-to-date stands at 833.1 thousand. However, since March, losses amount to little over 1 million. As a result, total IMSS affiliated employees stood at 19.6 million, level similar to the one seen in early 2018 (chart below, right).

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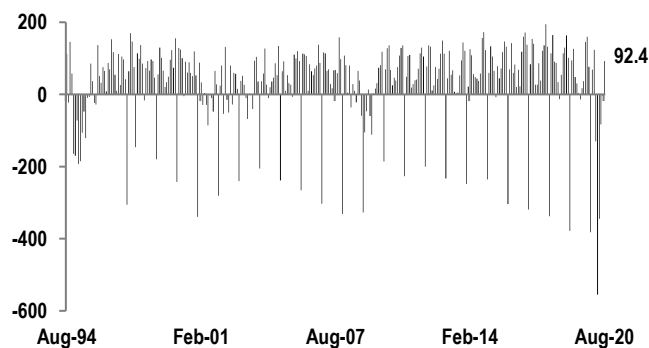
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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



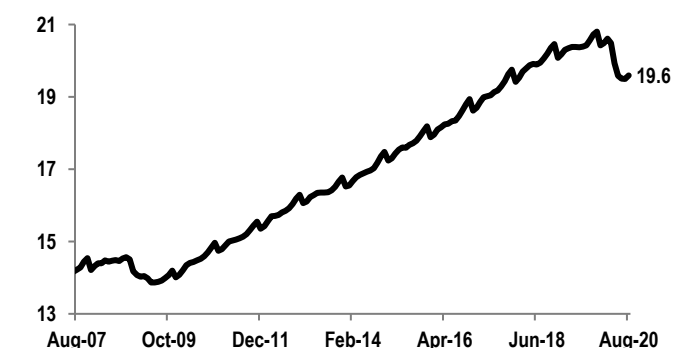
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Formal employment: Monthly change
Thousands



Source: IMSS, Ministry of Labor

Formal employment: Total workers enrolled in Social Security
Millions

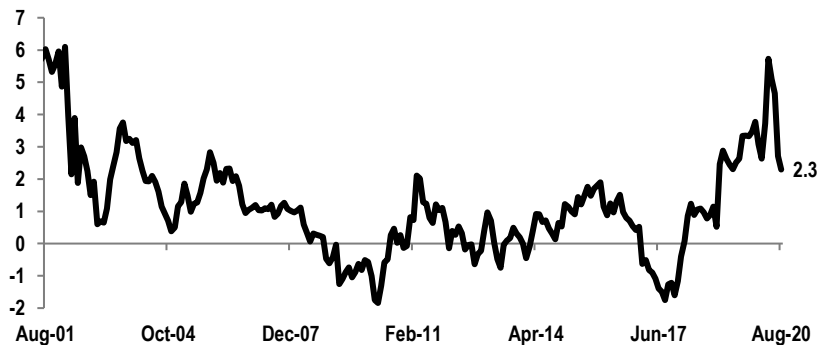


Source: IMSS, Ministry of Labor

Business affiliations keep increasing. Specifically, the number of businesses added to the list stood at 1,027, with three consecutive months higher (previous: +725). With today's print, the YTD number stands at +549, with the corresponding figure from March to August –since the pandemic started– stands at -3,005. In this sense, we continue to consider this as positive, given that as momentum in this front increases, the likelihood of additional gains in terms of employment –as we would expect more job opportunities to arise from the latter– improves.

The rate of expansion of average wages continues to slow down. The average daily wage came in at \$404.1 (US\$18.1), +2.3% y/y in real terms, a deceleration relative to the 2.7% of the previous month (see chart below). This is driven by higher inflationary pressures, with the annual rate to 4.05% from 3.62% (+43bps) in the same period. Meanwhile, nominal wages came in at +6.4%, in line with July's print. We consider the latter to be relatively favorable considering the entrance of workers to the labor market, which we expected to do so with lower wages. However, and despite of this, it is likely that future prints might show a deceleration, considering both the high degree of slack in the labor market and the return of low-wage workers.

Average daily wage
% y/y in real terms



Source: IMSS, Ministry of Labor

Job creation might moderate after the reopening. Although we already anticipated a net job creation during the month, it should be noted that signals surrounding economic activity were somewhat mixed for the same period, contrasting with sequential gains both in June and July. Among them, we highlight the [surprising decline in IMEF's PMIs](#), both in manufacturing and services, remaining in contraction territory, as well as other forward-looking data such as auto production. In contrast, ANTAD's same-store sales came in at -6.8% y/y in real terms from -12.3% in the previous month, with a very relevant increase in departmental stores. Overall, we believe this is very relevant given that job gains will ultimately depend on an improvement in economic activity that supports aggregate demand. We consider that, in the short-term, these improvements could continue as more activities resume, especially in services.

Nevertheless, it will also be important to analyze its performance given risks of stagnation when most businesses have reopened, as they will do so at a scale that allows for compliance with social-distancing and other sanitary measures. This would probably happen in a context in which domestic demand is still limited by high uncertainty and limited stimulus, especially in an environment in which consumer fundamentals have already been strongly impacted. However, we believe that if we see higher activity, even with moderate expansion rates, the risk of this happening will significantly decrease.

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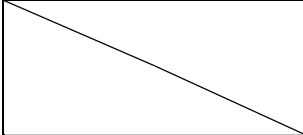
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