

Positive results in terms of job creation in August, but still with concerns on wages

- Unemployment rate (August; nsa): 3.53%; Banorte: 3.51%; consensus: 3.40% (range: 3.30% to 3.60%); previous: 3.43%
- Part-time workers: 7.9% (previous: 8.3%); Participation rate: 60.0% (previous: 60.0%)
- In August, 177.1 thousand jobs were created, which represents an improvement relative to the previous month, in our opinion, still with seasonal distortions in play. Hence, so far this year, 669.5 thousand positions have been created
- The labor force increased by 244.9 thousand, with those unemployed up by 67.8 thousand. Therefore, a higher unemployment rate was reported relative to the previous month, consistent with what was seen in previous years
- As a result, the participation rate was flat, while the part-time rate improved. Outside of the labor force, those catalogued as ‘available for work’ fell by 225.7 thousand, with those ‘not available’ up by 402.7 thousand
- Seasonally adjusted, the unemployment rate increased marginally to 3.28% from 3.22%, which we do not see as entirely negative considering the adjustments in other variables
- In the informal sector, 123.7 thousand jobs were created, while jobs in the formal sector increased by 53.4 thousand. As a result, the informality rate rose to 55.5% (previous: 55.4%)
- Average hourly wages slightly declined, to \$48.52 (previous: \$48.55), which translates into an 2.6% y/y advance. This seems somewhat low, in our opinion considering the current inflationary backdrop
- Today’s results are consistent with our positive view for the labor market for the remainder of the year, being key to sustaining consumption. However, concerns on wages remain given a more challenging inflation outlook

In August, the labor market continued to be distorted by summer vacations, although favored by lower COVID-19 contagions. With original figures, the unemployment rate stood at 3.53% (graph below, left), higher than consensus (3.40%), but closer to our estimate (3.51%). Although the effects of the start of summer vacations were reflected since the previous month, distortions stemming from these seem to have continued in the labor market during August, impacting the level of the unemployment rate (through the size of the labor force). Using seasonally adjusted figures, the unemployment rate was 3.28%, slightly higher than the 3.22% of the previous month. Back to original data, and consistent with said distortions, the labor force increased by 244.9 thousand, with 177.1 thousand new employees and +67.8 thousand unemployed. In this sense, the participation rate was flat at 60.0%. Meanwhile, people outside of the labor force increased by 177.0 thousand, with the increase concentrated in those catalogued as ‘not available’ (+402.7 thousand), while those ‘available’ fell by 225.7 thousand.

September 27, 2022

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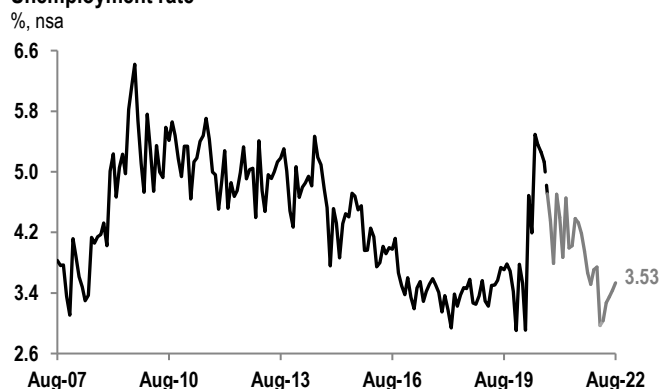
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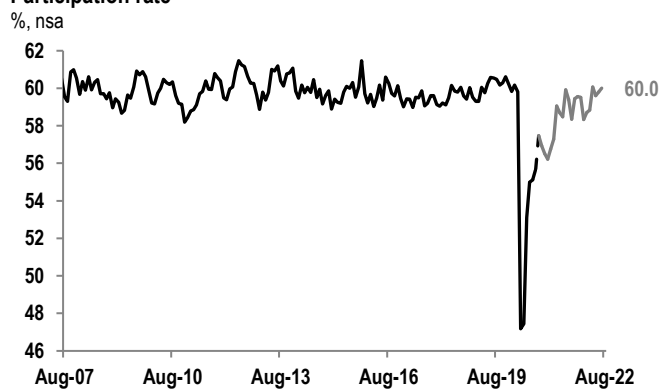
In our opinion, the summer holiday continued to have an effect on the labor market figures. In addition, we believe that a positive impact came from the decline of COVID-19 contagions. The fifth wave has been the one with the lowest mortality and with the shortest sick leave permission, going from 7 days (in the previous wave) to 5 days. As such, distortions from the latter may have been limited to some extent. In this context, the total number of employees reached 57.6 million, implying 669.5 thousand new jobs so far this year. Nevertheless, they remain 51.4 thousand positions short of the historical high seen back in April 2022. As on previous reports, to better reflect labor market conditions, we added those ‘available for work’ not in the labor force both to the unemployed and the labor force. With this, the ‘expanded’ unemployment rate stood at 12.1%, 25bps lower than in the previous month. As a reference, in February 2020 –before the impact of the pandemic– it reached 12.2%, indicating that the recovery has advanced meaningfully.

Unemployment rate



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



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

Job gains concentrated in the informal sector. Of the 177.1 thousand jobs gained, the informal sector contributed with 123.7 thousand, while the formal economy added 53.4 thousand jobs. Regarding the latter, the figure is lower than IMSS data, where 157.4 thousand new positions were registered. From this, it can be inferred that jobs were lost in other areas, such as federal and state workers, along with the military. Hence, the informality rate increased to 55.5% (previous: 55.4%). By sectors, both industry (+340.0 thousand) and services (+104.9 thousand) improved. Within the former, manufacturing led the move at +279.5 thousand, albeit with positive developments also in construction (+57.4 thousand). In services, gains centered in social (+222.4 thousand), professional (+189.7 thousand) and transportation (+150.6 thousand). Nevertheless, this progress was partly offset by losses in restaurants and lodging (-360.7 thousand) and government (-179.3 thousand). Meanwhile, primary activities shed 281.7 thousand positions. On the other hand, the part-time rate improved to 7.9% from 8.3%.

On a negative note, wages declined for a fourth month in a row, with the average hourly wage standing at \$48.52 per hour, down \$0.03 relative to the previous month. However, in annual terms it accelerated to +2.6% (previous: +1.9%). We believe this is somewhat low considering prevailing inflationary trends, having a negative impact on household’s purchasing power.

INEGI's employment report

Non-seasonally adjusted figures

%	Aug-22	Jul-22	Difference
Unemployment rate	3.53	3.43	0.10
Participation rate	60.0	60.0	0.0
Part-time workers rate	7.9	8.3	-0.4
Formal employment	44.5	44.6	0.0
Informal employment¹	55.5	55.4	0.0
Working in the informal economy	28.0	27.9	0.1
Working in the formal economy	27.4	27.5	0.0

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

Source: INEGI

We remain optimistic about the path of the labor market, supporting domestic demand. We believe that today's results are positive, even when considering the seasonal skew of the period, expecting that the distortions fade away as soon as the next month. As such, we anticipate future figures to corroborate that the trend of recovery has continued. However, we do not rule out that other external factors may affect certain metrics. In this regard, we will pay attention to the performance of industry and services, with uncertainty about the overall impact of inflation and increasing expectations of a deceleration triggered by tighter monetary policy on hiring decisions by businesses. In this sense, we believe that, at least during the remainder of the year, these factors could result in a slowdown in the pace of job creation, but not in an outright decline.

In this sense, we believe that short-term dynamics will continue to be somewhat tied to mobility, with increasing evidence of higher demand in recreational sectors as people get more and more adjusted to life after the pandemic. In this context, strength in employment conditions will be key to keep supporting domestic demand, especially consumption. However, the main risk for the latter continues to be inflation, especially in a context in which wages are losing ground in real terms. Related to this, last week we [revised our year-end inflation estimate higher to 9.0%](#). The next key driver for relevant revisions will likely be the upcoming announcement regarding the 2023 minimum wage. So far, expectations for the increase stand between 20%-25%, with the final number set to be released in early December.

All in all, we expect employment to maintain a positive trend during the remainder of the year, with new job positions remaining on the rise. Nevertheless, its overall support towards domestic demand could be hampered by additional price pressures, dampening total consumption.

¹ 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

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