

Economic Analysis

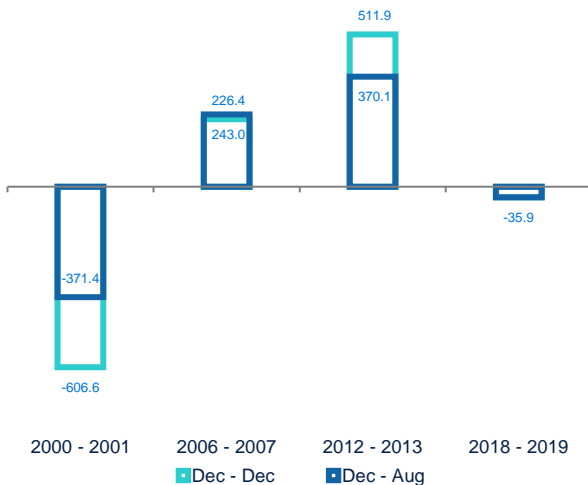
Formal Employment still grows but labor productivity falls

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September 18, 2019

In August, according to figures from the IMSS (Instituto Mexicano del Seguro Social — Mexican social security institute), a total of 36,600 new jobs were recorded, resulting in a total of 20.4 million registered workers, that is, a decrease of 36,000 jobs over the last nine months. The slowdown in employment that began from the middle of last year has led to a reduction in formal private employment not seen since 2000-2001, when there was a loss of more than 600,000 jobs from December to December of those years. Despite this, it is still much lower than the loss of jobs of 2006 and it is expected that in the whole of the year (Dec-Dec) there will be a net creation of jobs and no destruction as in 2000-2001 (see Figure 1).

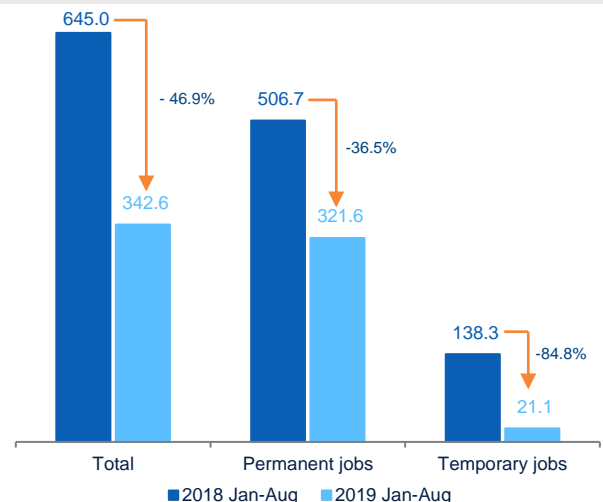
From January to August 2019, 342,000 jobs were created, 46.9% less than the same period of the previous year. This figure includes the creation of just 21,000 new temporary jobs — 84.8% less than the previous year. Concerning to permanent employment, there is a 36.5% gap compared with 2018 (see Figure 2).

Figure 1. **Formal employment: Registered persons associated with employment** (Thousands)



Source: BBVA Research with data from the IMSS

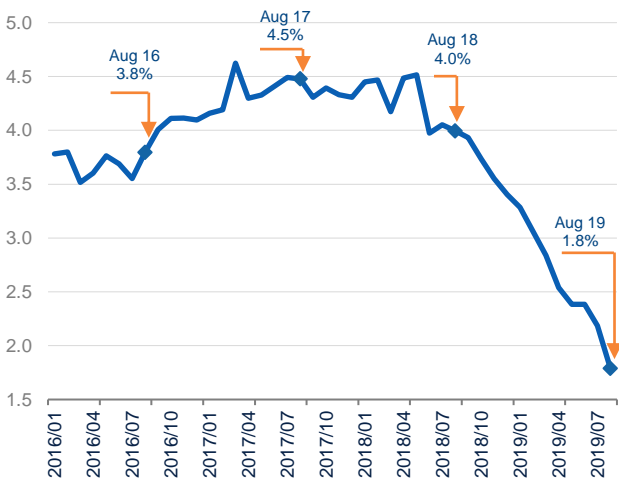
Figure 2. **Formal employment: Registered persons associated with employment** (Thousands, % Annual variation)



Source: BBVA Research with data from the IMSS

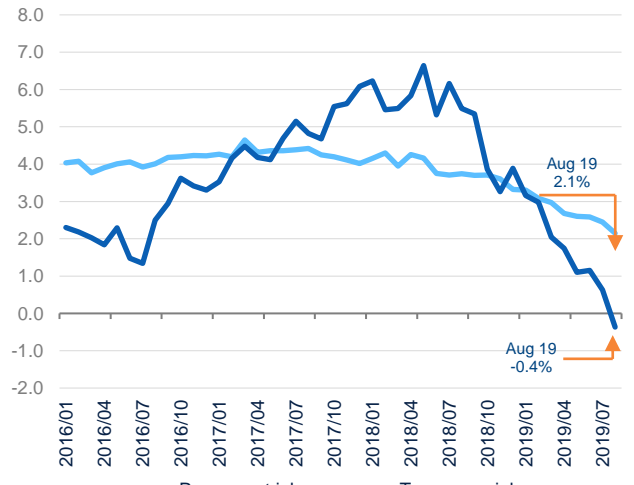
The slowdown in job creation continues to worsen. In August, formal employment grew 1.8% YoY, down by more than 2pp compared with the level shown for a similar month over the last four years (see Figure 3). The annual growth rate for permanent employment was 2.1%. On the contrary, for the first time since the crisis of 2010 temporary employment showed annual negative growth of -0.4% (see Figure 4).

Figure 3. **Formal employment: Registered persons associated with employment, (% Annual variation)**



Source: BBVA Research with data from the IMSS

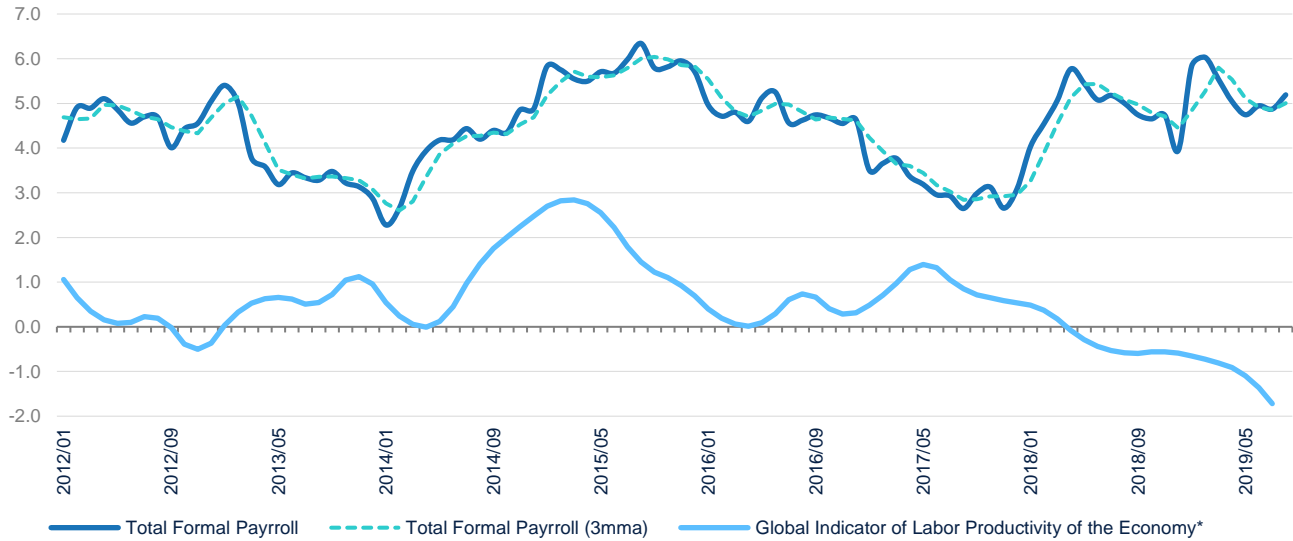
Figure 4. **Formal employment: Registered persons associated with employment, by employment type, (% Annual variation)**



Source: BBVA Research with data from the IMSS

The average wage in August recorded by the IMSS was 379.7 pesos, displaying an annual real-term growth of 3.3%, meaning that the total wage bill showed real-term growth of 5.2% YoY. It should be noted that these real growth rates have been largely supported by the good performance of inflation. In parallel, the results of the second quarter of the Global Indicator of Labor Productivity of the Economy (IGPLE, based on employed population) of the National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía, INEGI) show a decline of 1.7% at an annual rate. This is a result of the slowdown in production and employment behavior, which, despite the slowdown, continues to show positive annual growth rates (see Figure 5).

Figure 5. **Total Formal Payroll and Global Indicator of Labor Productivity of the Economy***, (% Annual variation)

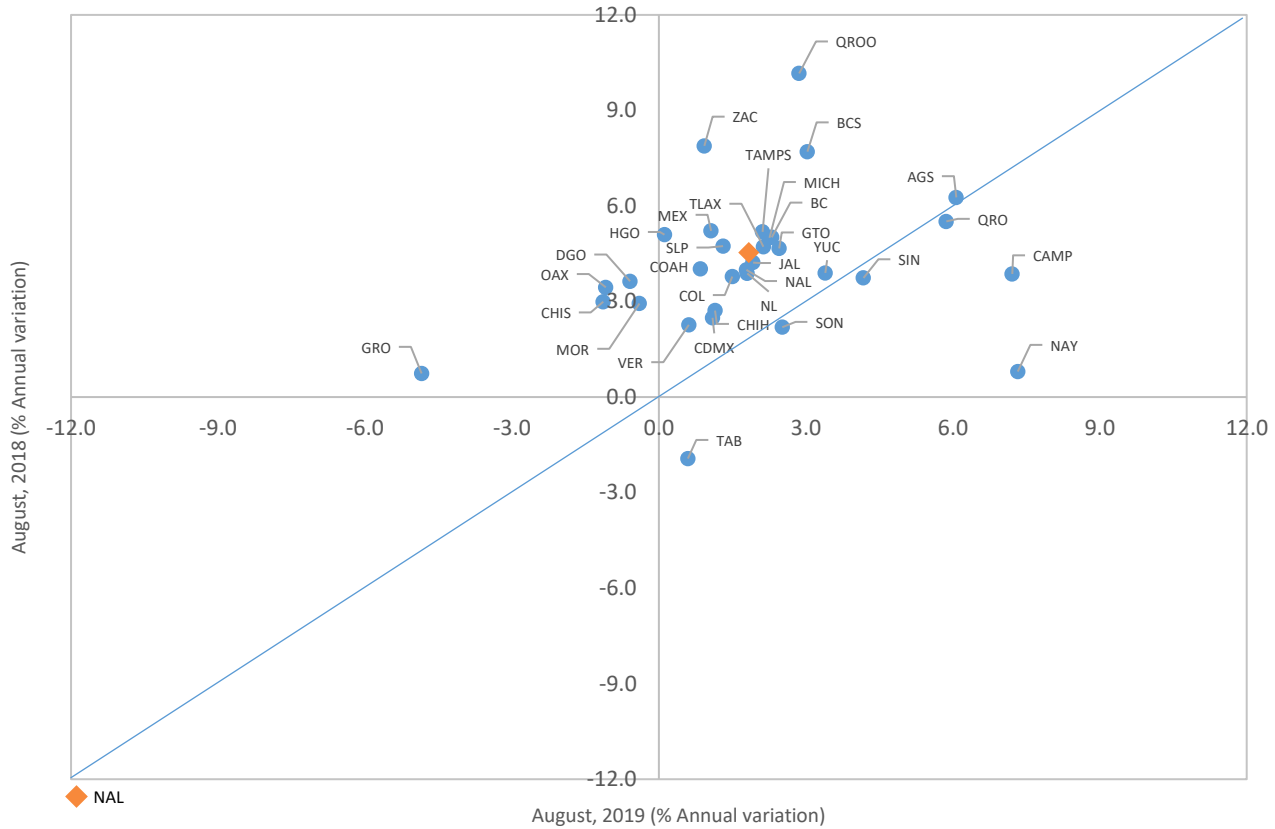


Source: BBVA Research with data from the IMSS and INEGI
*Series based on monthly employed staff estimated by linear interpolation

Nayarit and Campeche have job creation rates of more than 7% YoY. In contrast, in Guerrero, over 7,000 jobs were lost

Compared with the annual employment growth rates at the state level, there is a widespread decrease and slowdown in performance; only six states had higher annual rates in August compared with the same month of the previous year, among which Nayarit and Campeche stand out, with respective rates of 6.6pp and 3.3pp higher than the rates of August 2018. In contrast, the states with the worst performance were Quintana Roo and Zacatecas. In the first case, there was a decline from an annual growth rate of 10.2% to 2.9% and, in the second, from 7.9% to 0.9% (see Figure 6).

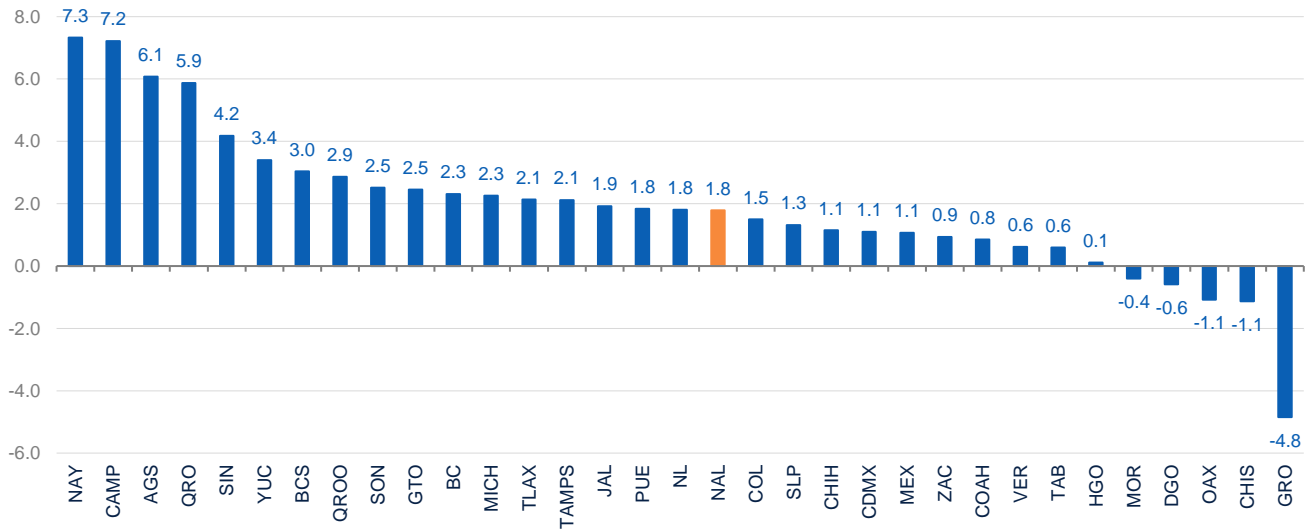
Figure 6. **Formal employment: Registered persons associated with employment, by Federal State, (% Annual variation)**



Source: BBVA Research with data from the IMSS

Other states with well-performing employment growth rates above the national average were Aguascalientes (6.1%), Queretaro (5.9%) and Sinaloa (4.2%). On the contrary, Guerrero continues with poor performance in employment generation, with a negative rate of -4.8%, followed by Chiapas (-1.1%), Oaxaca (-1.1%), Durango (-0.6%) and Morelos (-0.4%) (see Figure 7).

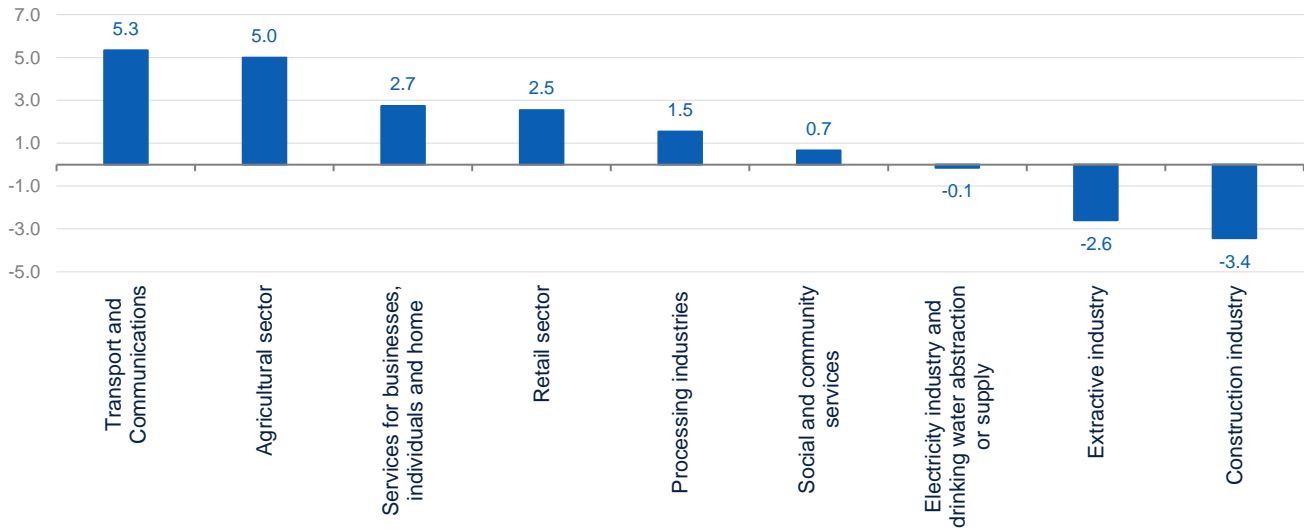
Figure 7. **Formal employment: Registered persons associated with employment, by Federal State, August 2019, (% Annual variation)**



Source: BBVA Research with data from the IMSS

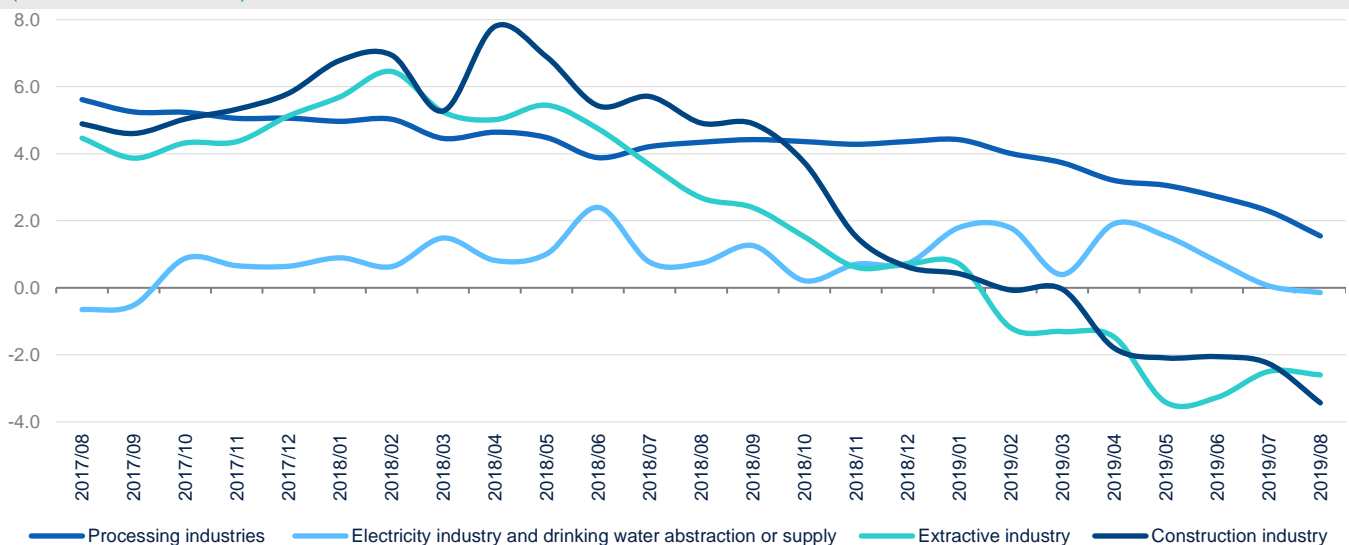
At the sectorial level, construction showed the worst performance in August, with a negative growth rate of -3.4% YoY, followed by mining industries (-2.6% YoY). It should be noted that this fall in employment generation has been occurring continuously since June 2018 and has continuously worsened. On the other hand, the transport sector continues to maintain good performance, with an annual growth rate of 5.3% (see Figures 8 and 9).

Figure 8. **Formal employment: Registered persons associated with employment, by economic sector, (% Annual variation)**



Source: BBVA Research with data from the IMSS

Figure 9. **Formal employment: Registered persons associated with employment, by economic sector, (% Annual variation)**



Source: BBVA Research with data from the IMSS

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