

Economic Analysis

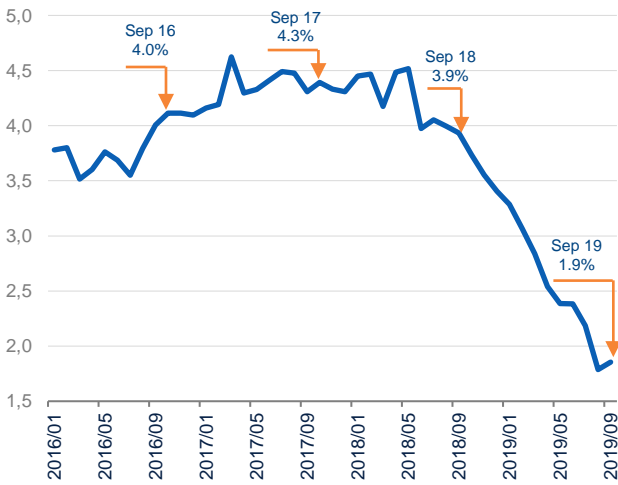
Formal Employment Performance Improves in September

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Formal job creation increased in September by an annual rate of 1.9%, according to figures from the IMSS (Instituto Mexicano del Seguro Social — Mexican Institute of Social Security), which reverses the trend of slowdown in job creation observed over the year; although this is positive, it is only 0.1 pp higher than growth in August. In this context of negative trend in investment and low dynamism of economic activity, job creation levels are expected to continue to grow relatively slowly in the remainder of the year.

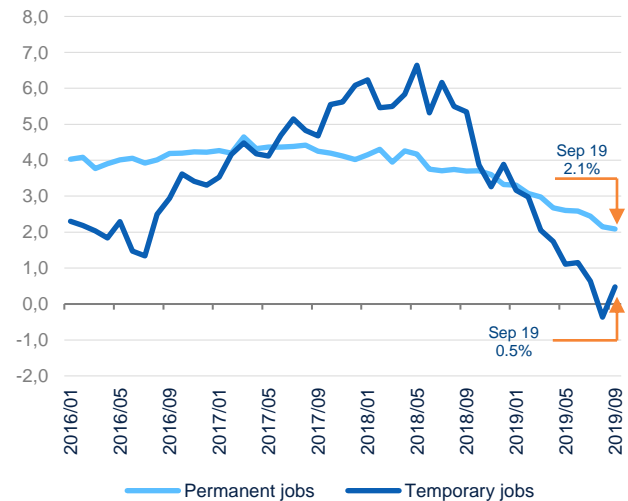
This growth saw registered formal employment reach 20.5 million insured workers. It should be noted that this increase was achieved as a result of permanent employment maintaining a similar level of growth (2.1% YoY) to the previous month, and of temporary employment growth recovering, with positive growth of 0.5% YoY (see Figure 2).

Figure 1. **Formal employment: Insured persons with employment affiliated to the IMSS** (% Annual variation)



Source: BBVA Research based on data from the (IMSS)

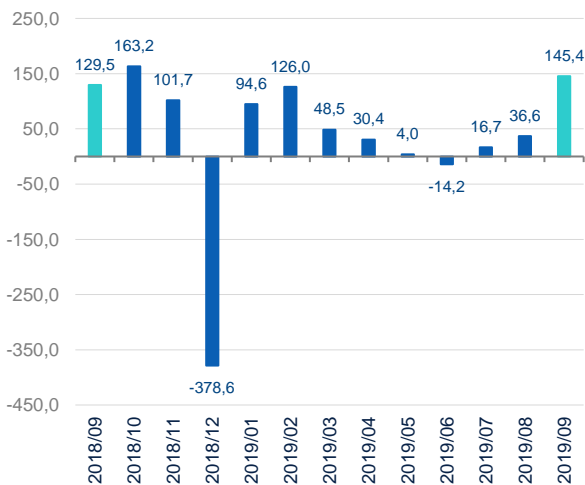
Figure 2. **Formal employment: Insured persons with employment affiliated to the IMSS, by employment type** (% Annual variation)



Source: BBVA Research based on data from the (IMSS)

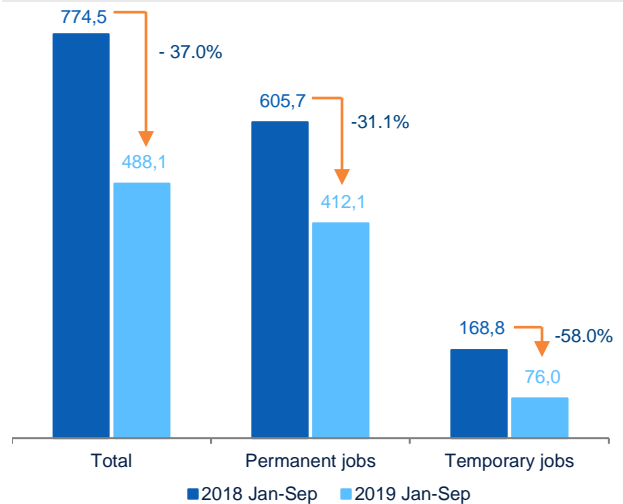
September saw the best performance in job creation so far this year, with the volume of employment generated compensating for the loss of more than 378,000 jobs in December 2018. There is, however, still a 37% deficit in job creation — 488,000 jobs have been created this year, whereas 774,000 were created from January to September 2018. It is worth highlighting that there is a deficit in job creation with respect to both permanent and temporary jobs, but that the problem is more acute in the case of temporary employment, for which the deficit is 58%, compared to 31.1% for permanent employment (see Figures 3 and 4).

Figure 3. **Formal employment: Insured persons with employment affiliated to the IMSS (Thousands, Monthly variation)**



Source: BBVA Research based on data from the (IMSS)

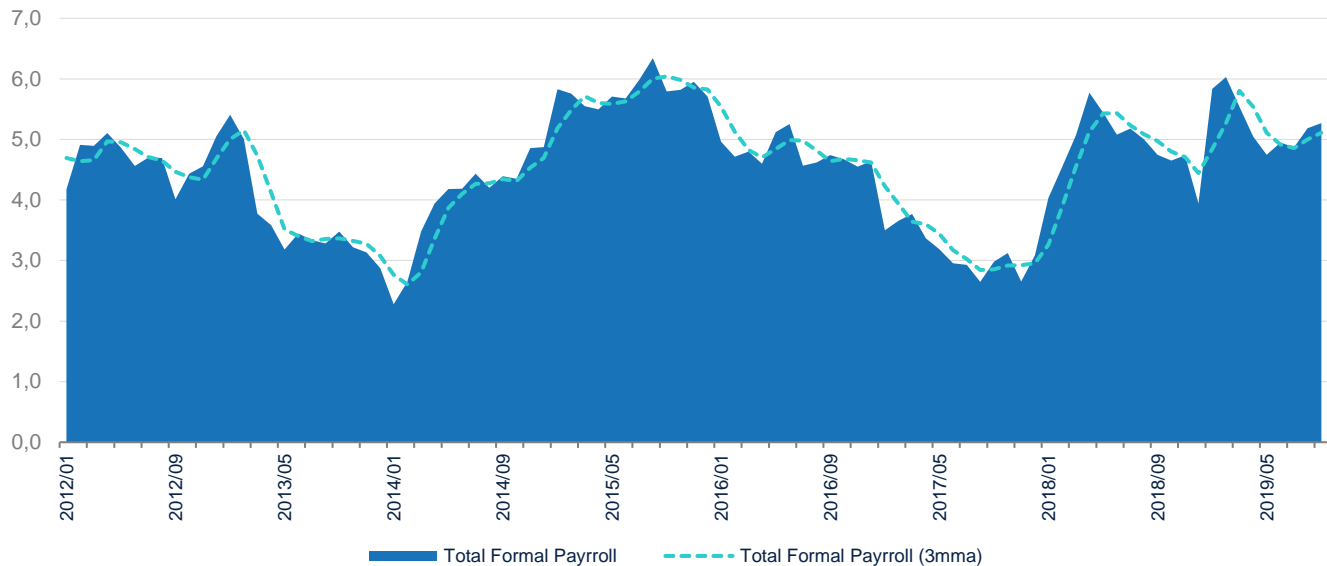
Figure 4. **Formal employment: Insured persons with employment affiliated to the IMSS, (Thousands, % Annual variation)**



Source: BBVA Research based on data from the (IMSS)

The average daily wage for insured individuals affiliated to the IMSS was 374.5 pesos, which in real terms represented growth of 3.4% YoY. Consequently, the total wage bill grew by 5.5% YoY in September, maintaining an average growth of 5% over the last six months. As noted above, this growth of the total wage bill continues to be boosted by good performance in terms of inflation throughout the year and, according to BBVA Research forecasts, inflation will be under 3% at year-end (see Figure 5).

Figure 5. **Real Formal Payroll,**
(% Annual variation)



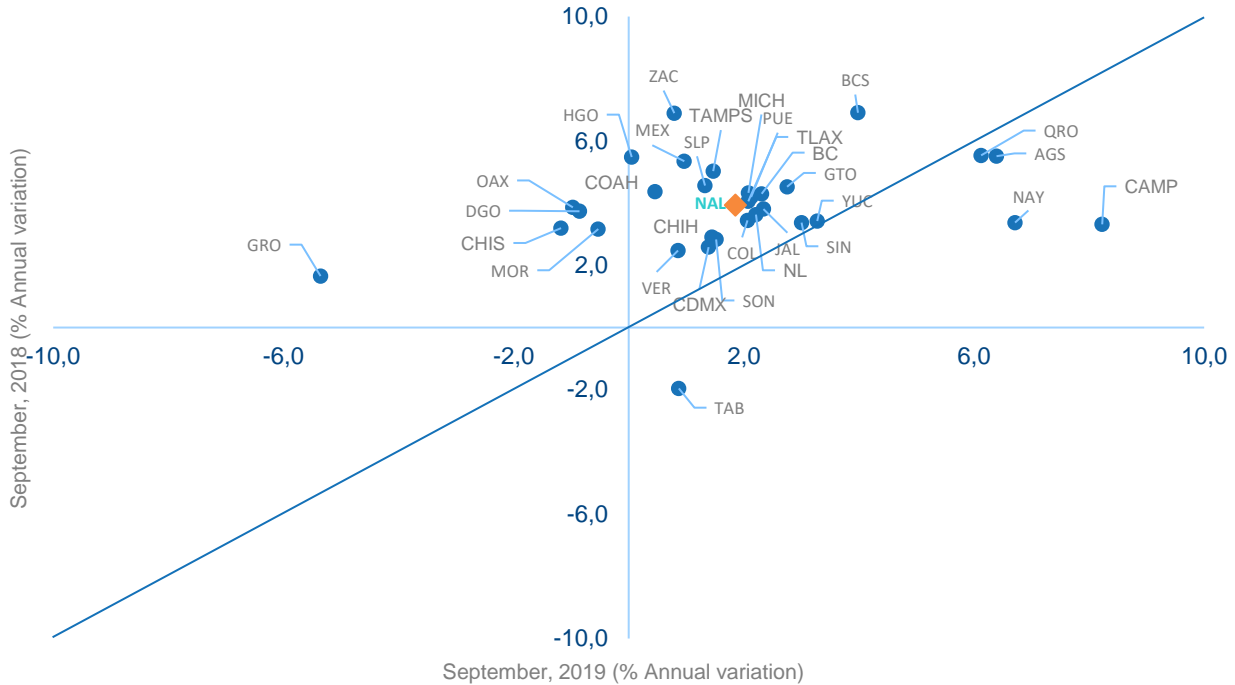
Source: BBVA Research with data from the IMSS and INEGI

State-Level Diversity in Job Creation

At state level, job creation remains low and continues to show varying results. In total, only four states improved their annual growth rates compared to the previous year, while also having the highest levels of job creation in September 2019: Campeche (8.2% YoY), Nayarit (6.7% YoY), Aguascalientes (6.4% YoY), and Querétaro (6.1% YoY).

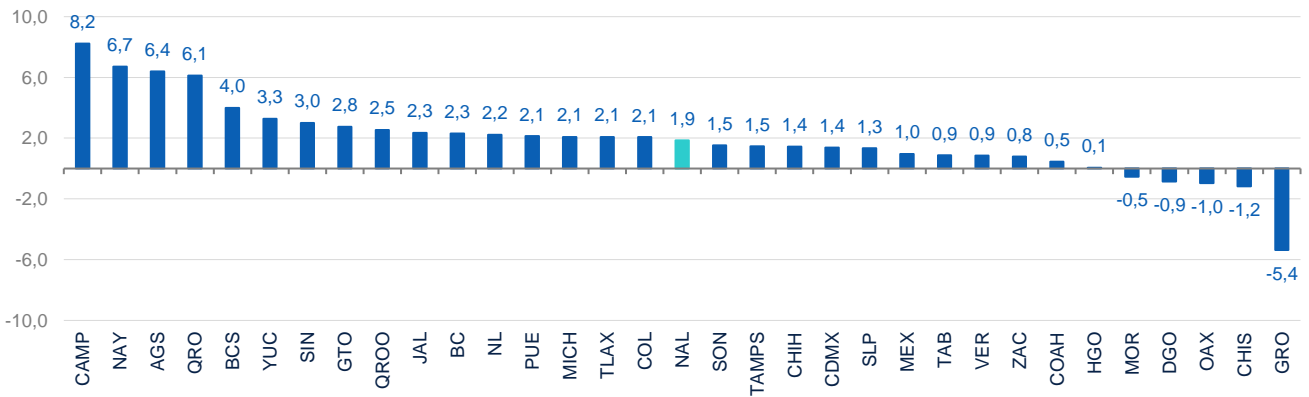
Guerrero's downward trend in job creation continues, with a negative rate of -5.4% YoY in September, while rates were also negative in Chiapas (-1.2% YoY), Oaxaca (-1.0% YoY), Durango (-0.9% YoY) and Morelos (-0.5% YoY), which all had positive growth the previous year.

Figure 6. **Formal employment: Insured persons with employment affiliated to the IMSS, by Federal State (% Annual variation)**



Source: BBVA Research based on data from the (IMSS)

Figure 7. **Formal employment: Insured persons with employment affiliated to the IMSS, by Federal State, September 2019, (% Annual variation)**



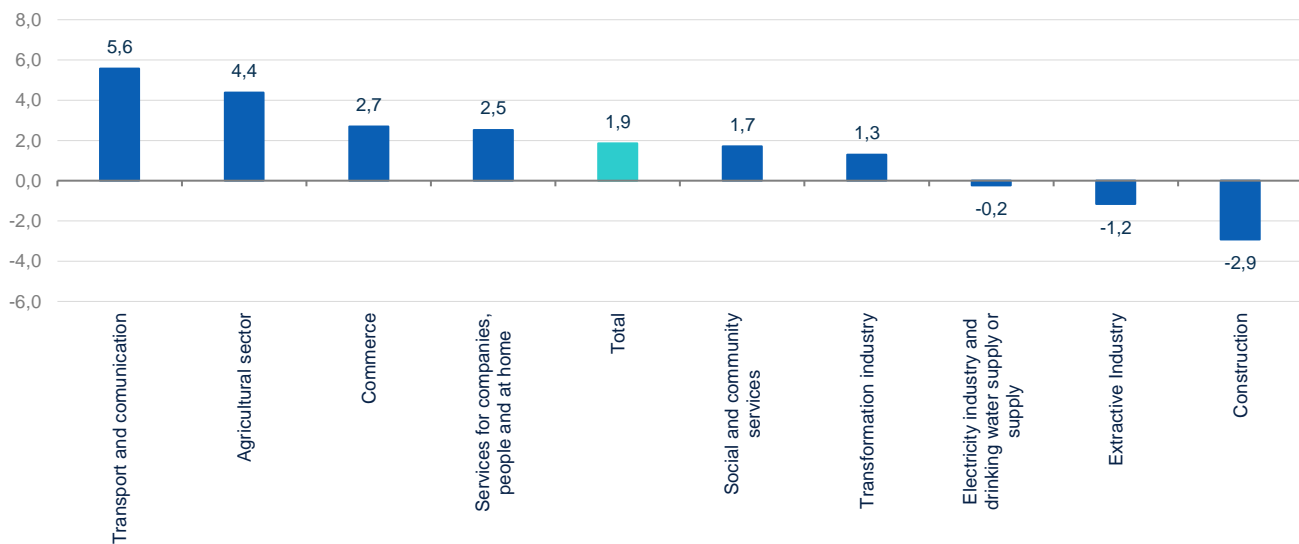
Source: BBVA Research based on data from the (IMSS)

Job Losses in the Construction Sector Continue

At sector level, construction and extractive industries—as in the previous month—continue to experience job losses and the worst performance, with rates of -2.9% YoY and -1.2% YoY, respectively. It is worth noting that the electricity industry had a negative rate, for the first time, of -0.2% YoY, a situation that has not occurred since September 2017.

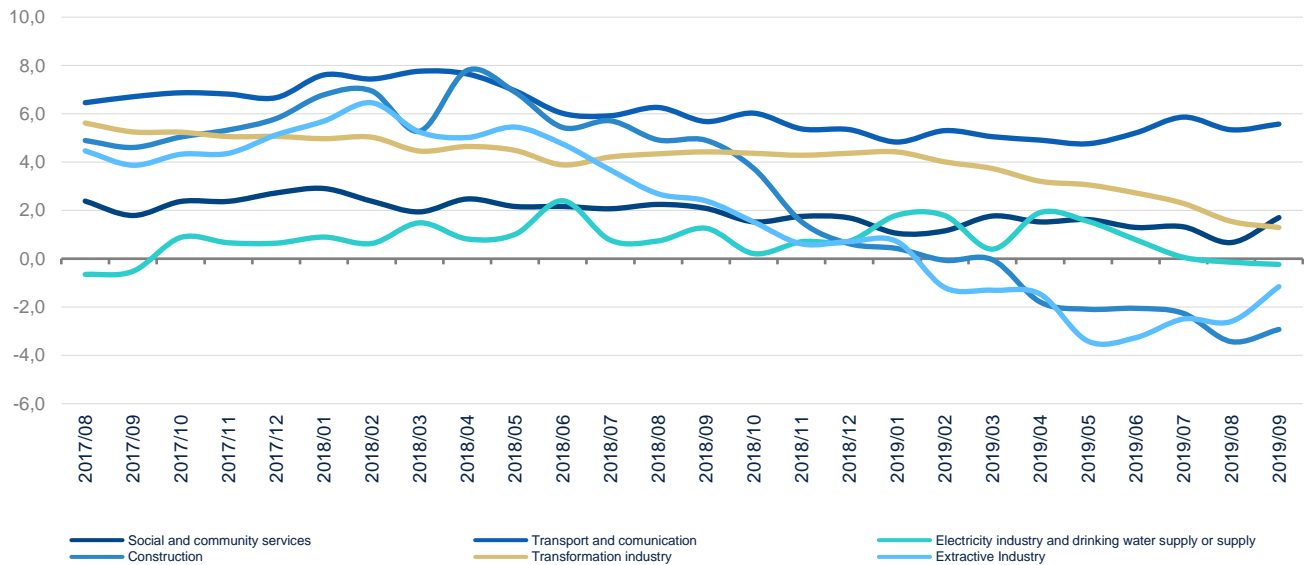
The transport and agricultural sectors maintained their good performance in job creation, with the highest rates—5.3% and 4.4%, respectively (see Figures 8 and 9).

Figure 8. **Formal employment: Insured persons with employment affiliated to the IMSS, by business sector, September 2019, (% Annual variation)**



Source: BBVA Research based on data from the (IMSS)

Figure 9. **Formal employment: Insured persons with employment affiliated to the IMSS, by business sector, (% Annual variation)**



Source: BBVA Research based on data from the IMSS

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