BBVA Research

Economic Analysis

Employment decelerated during 2019, moderate recovery is expected

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Formal employment closes with 342,000 new jobs in 2019 and grows on average 2.3% in the year

Formal employment, measured based on the total number of insured persons with employment affiliated to the Mexican Social Security Institute (IMSS), grew 1.7% YoY in December. With this growth, the total number of jobs reached 20.4 million workers.

It should be noted that in December each year, there is an adjustment in the employment figure that is very pronounced due to seasonal factors. For example, from January to November, 724,000 new jobs were added, with the seasonal adjustment of December, this figure dropped to 342,100 new jobs. While the adjustment in December is systematic, the volume of new job creation was 48.2% lower than in 2018. Thus, the forecasts by BBVA Research were corroborated, which indicated that employment would close with a positive balance, but with a sharp slowdown in job creation stemming from the context of low economic growth in 2019.

Figure 1. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO IMSS**
(% ANNUAL VARIATION)
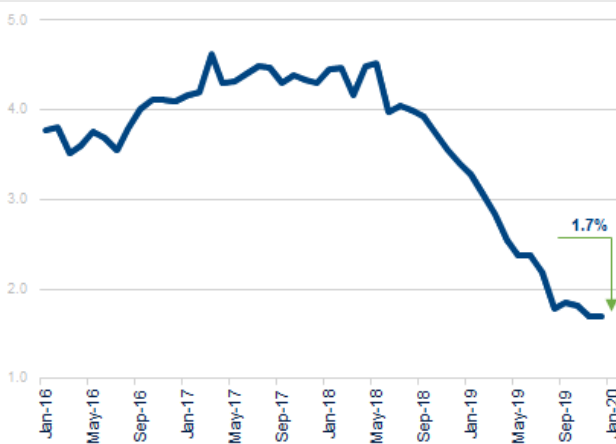
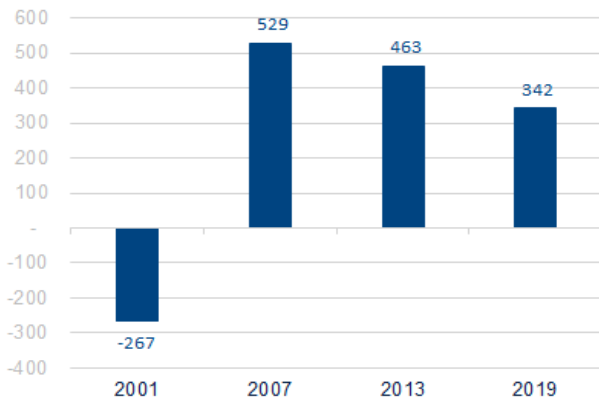Source: BBVA Research based on IMSS data

Figure 2. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO IMSS**
(THOUSANDS, % ANNUAL VARIATION)
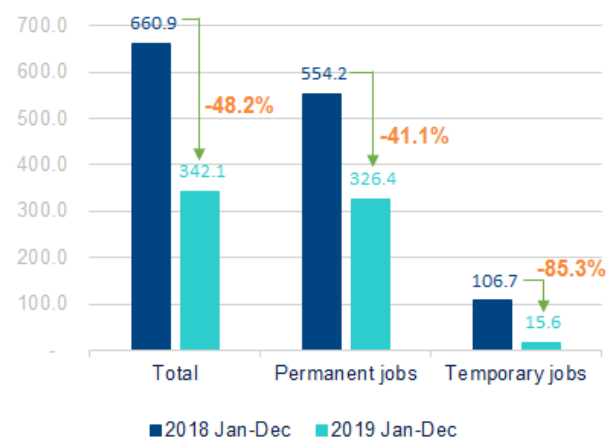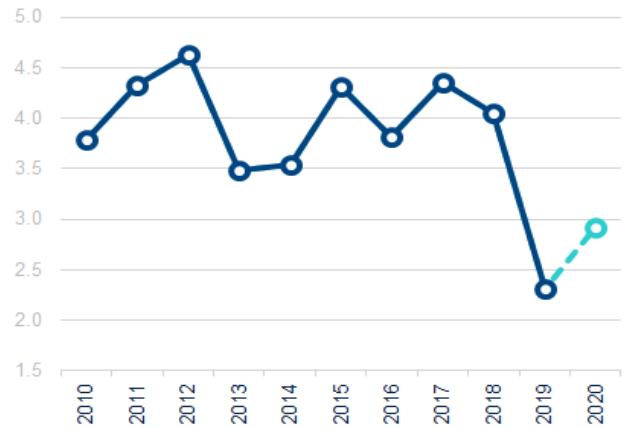

Source: BBVA Research based on IMSS data

From a long-term perspective, each start of a government period represents a challenge in creating formal employment. In this sense, unlike the government period from 2001 to 2006, where more than 267,000 jobs were lost, this year, employment creation was positive. However, it was 35.4% and 26.1% lower than the first year of the last two government periods, 2007 and 2013 respectively. Based on the average monthly employment level during 2019, employment growth was +2.3% compared to 2018. Along these same lines, in 2020, it is expected that there will be a moderate recovery in job creation resulting from expectations of a revival of consumption and private investment.

Figure 3. **NEW INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO IMSS** (THOUSANDS, MONTHLY VARIATION)

Source: BBVA Research based on IMSS data

Figure 4. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO IMSS** (% AVERAGE ANNUAL VARIATION)
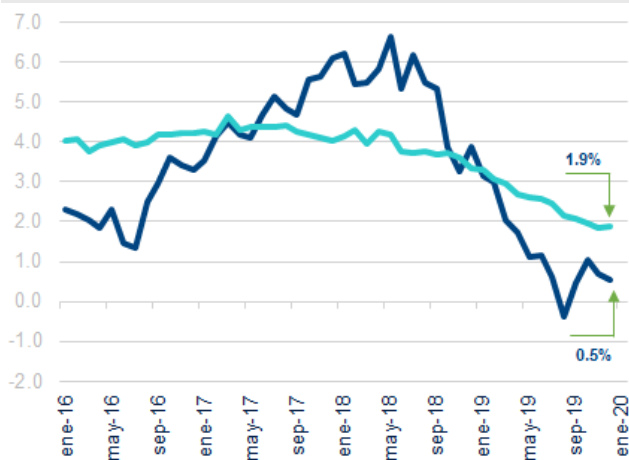

Source: BBVA Research based on IMSS data

Regarding the type of employment, the most significant adjustment in December was temporary jobs, which showed growth of only 0.5% YoY. With regard to permanent employment, it should be noted that it broke with the uninterrupted downward trend that had been occurring since October 2018, with a rate similar to that of November, with 1.9% YoY.

Inflation behavior throughout the year was a key element in keeping wages at average annual growth rates of 2.9%, which in turn contributed to the growth of the total wage bill. The total wage bill showed its highest growth in January (5.8% YoY) and February (6% YoY), and throughout the year it maintained an average growth above 5%. Even in December it rebounded again and reached an annual growth rate of 5.5%. As we have pointed out, this is a factor that helped to mitigate the decline in consumption and offset the negative impact on the low rate of employment growth.

Figure 5. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO IMSS BY TYPE OF EMPLOYMENT** (% ANNUAL VARIATION)

Source: BBVA Research based on IMSS data

Figure 6. **TOTAL FORMAL PAYROLL AND REAL WAGE** (% ANNUAL VARIATION)
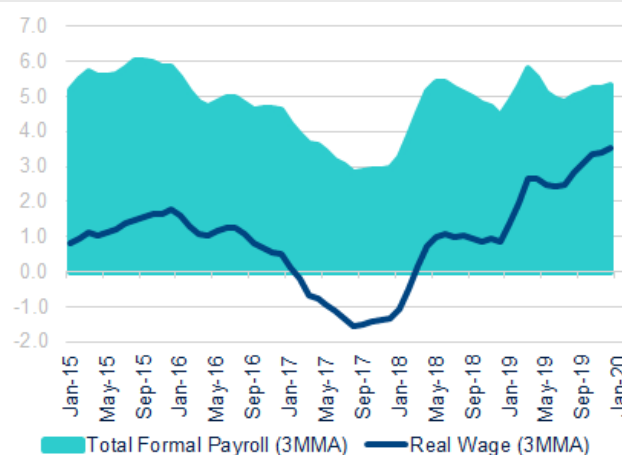
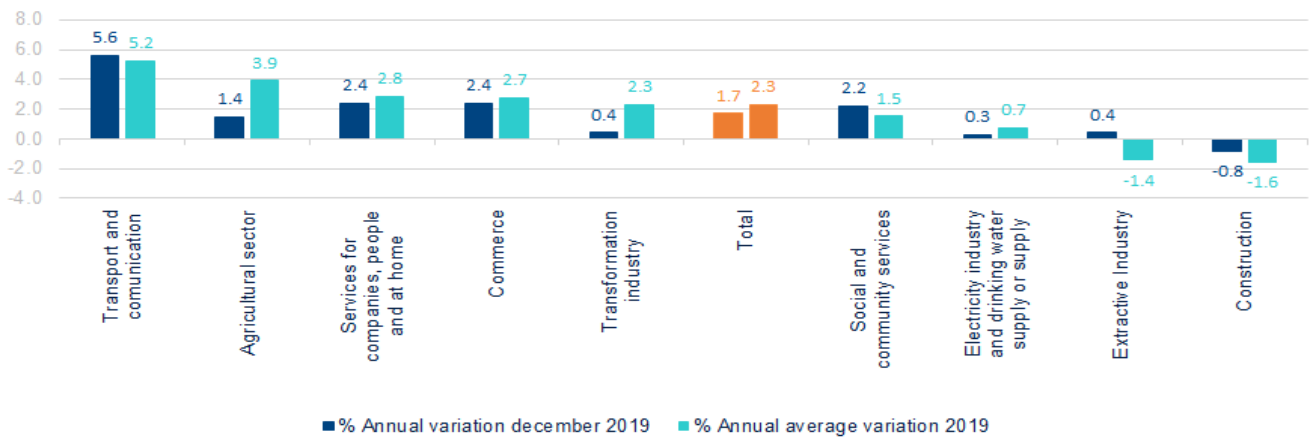Source: BBVA Research based on IMSS data

Transport and communications sector showed the best performance in job creation

The construction sector was the most affected in 2019 by the decline in economic dynamism. It is the only sector that at the end of the year ended with a loss of 13,000 jobs, with a negative rate of -0.8% YoY in December and an average of -1.6% in the year.

Figure 7. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO THE MEXICAN SOCIAL SECURITY INSTITUTE (IMSS) BY SECTOR OF ECONOMIC ACTIVITY** (% ANNUAL VARIATION AND ANNUAL AVERAGE)

■ % Annual variation december 2019   ■ % Annual average variation 2019

Source: BBVA Research based on IMSS data

In the case of the extractive industries sector, from February to October 2019 there were negative annual growth rates, which is why the annual average had a growth of -1.4%, despite the above. The months of November and December changed this trend, closing with a slight growth of 0.4%, which allowed the year to close with a positive balance of jobs compared to December of the previous year.

Figure 8. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO THE MEXICAN SOCIAL SECURITY INSTITUTE (IMSS) BY SECTOR OF ECONOMIC ACTIVITY** (% ANNUAL VARIATION)
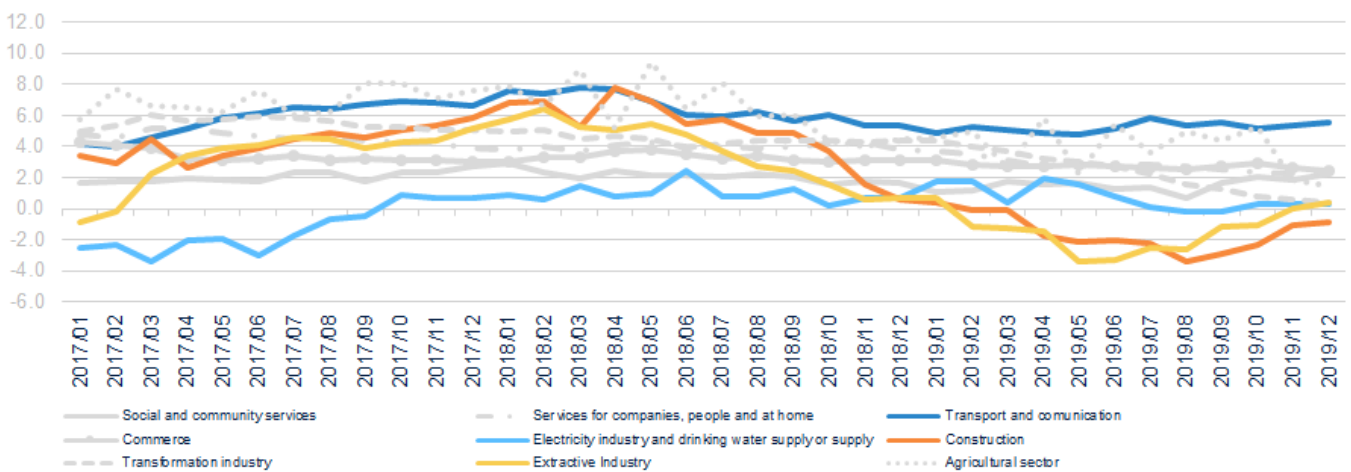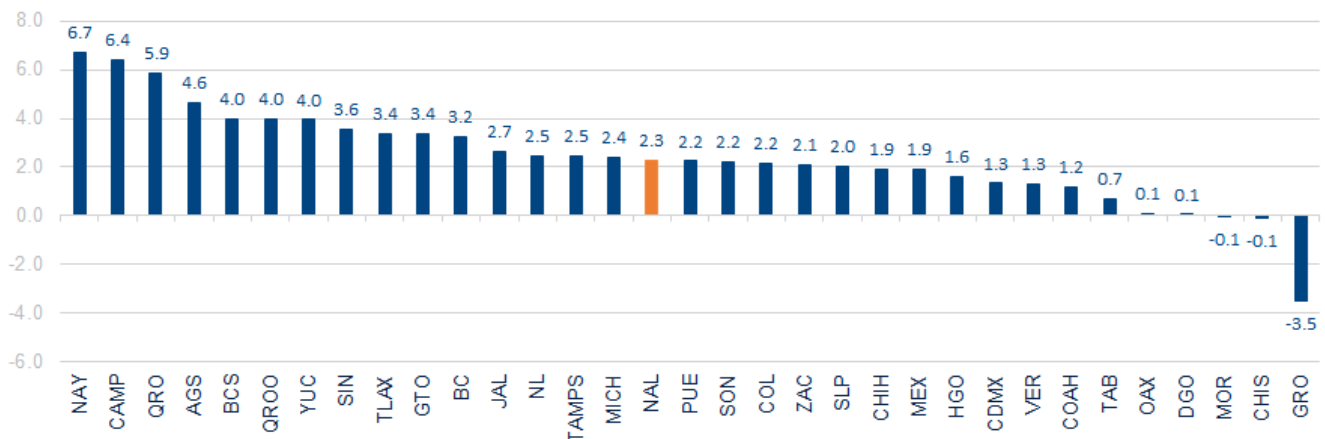

Source: BBVA Research based on IMSS data

The transport and communications sector had the best performance in 2019, with an average growth rate of 5.2% during 2019, closing with greater dynamism in December with a rate of 5.6% YoY. In the second place, the agricultural sector stands out with an average rate of 3.9%. However, in December its growth rate was lower than the year's average by 2.5pp. Finally, the social and communal services sector closed the year at a rate of 2.2%, surpassing the year's average rate by 0.7pp.

Guerrero had the worst performance in job creation in 2019 with an average rate of -3.5% …

Guerrero (-3.5%), Chiapas (-0.1%) and Durango (-0.1%) on average were the states with the greatest employment slowdown. Despite the above, the case of Guerrero is particularly noteworthy, as it maintained negative employment growth rates from October 2018 to November 2019. This meant that the good December 2019 result with a 1.1% YoY growth allowed it to offset the falls and close with 1,700 additional jobs compared to December 2018.

Figure 9. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO THE MEXICAN SOCIAL SECURITY INSTITUTE (IMSS) BY FEDERAL STATE 2019** (% ANNUAL AVERAGE VARIATION)
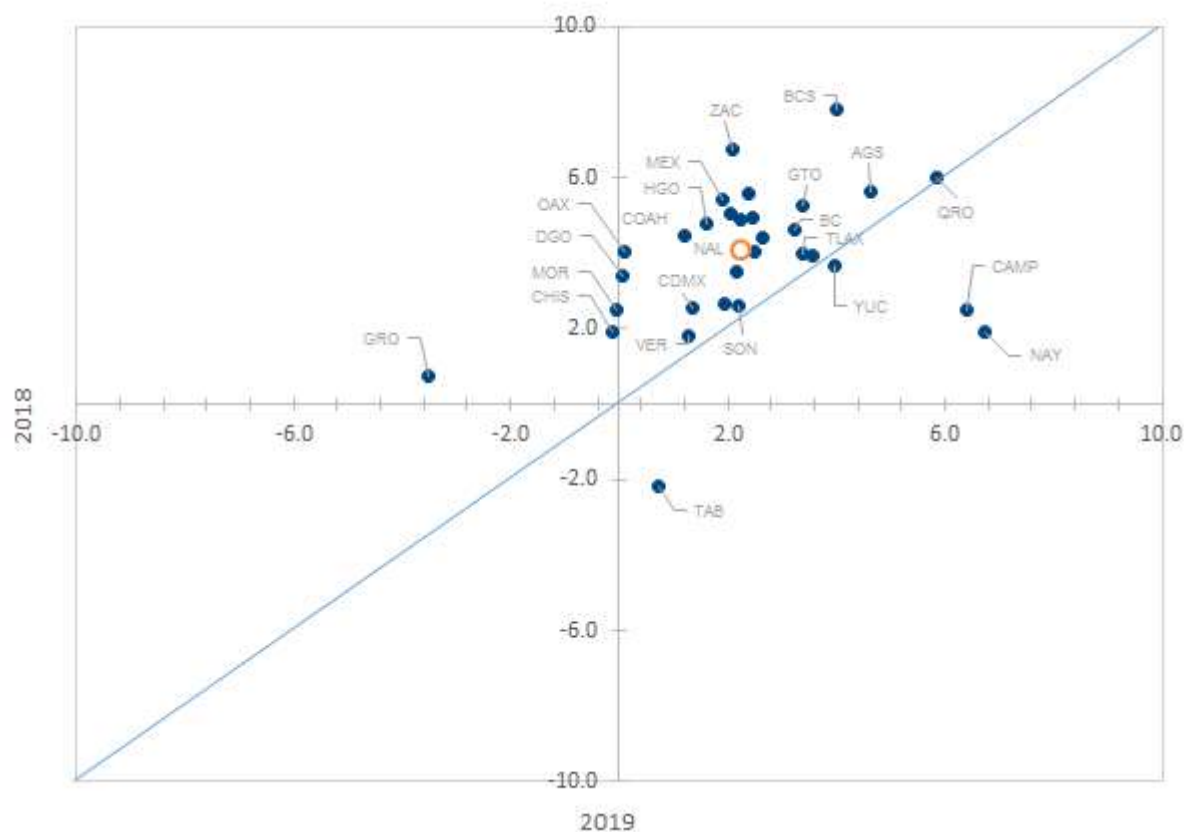

Source: BBVA Research based on IMSS data

… on the contrary, Nayarit and Campeche break with the national dynamic with formal employment growth of 4.4% and 4.1% on average

In the balance sheet of the whole year, Tabasco had a moderate average growth of 0.7%, however, it is positive given the result of 2018, when it had an average growth of -2.2%. In addition, the state of Querétaro, which is highly linked to the industrial sector, maintained an average growth of 5.9%—practically equal to 2018, which was just 0.1pp higher. The best performing states were Nayarit, which in 2019 had an average rate of 2.5pp higher compared to the previous year and 4.4pp above the national average, and Campeche, which in this same comparison exceeded its previous performance by 3.9pp and the national average by 4.1pp.

Figure 10. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED TO THE MEXICAN SOCIAL SECURITY INSTITUTE (IMSS) BY FEDERAL STATE** (% ANNUAL AVERAGE VARIATION)
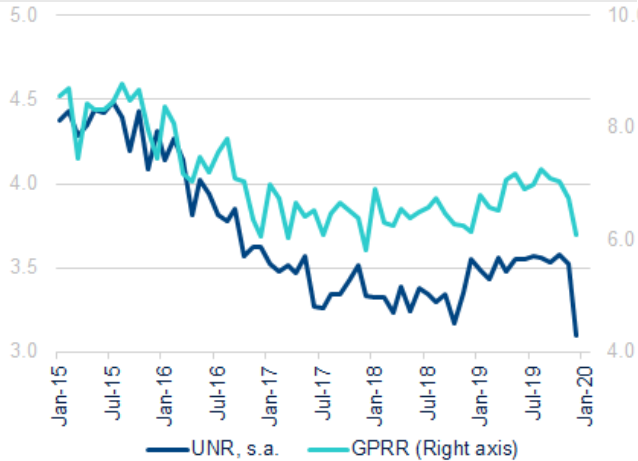

Source: BBVA Research based on IMSS data

The unemployment rate in December was 3.1%, its lowest level since 2005

The seasonally adjusted monthly unemployment rate in December 2019 was 3.1%, the lowest level since it was first measured by the National Employment and Occupation Survey. Although this result is positive, the year's average was 3.5%, because 6 months had rates that reached 3.6%. The good unemployment rate results in December had a direct effect on the overall pressure rate in the labor market, which groups the population of unemployed and employed seeking work, which reached 6.1%. This level was -0.6pp lower than the previous month, but similar to December 2018.

Moreover, in December the underemployment rate also dropped compared to the previous month by -0.5pp and reached 7.7%. However, it is still up 0.5pp on its annual comparison. In the case of the rate of critical employment conditions, which groups those employed who are working less than 35 hours a week for market reasons or more than 35 hours a week with monthly incomes below the minimum wage or who work more than 48 hours a week earning up to two minimum wages, it had a slight rebound from the previous month of 0.3pp, but 3.6pp above its annual comparison.

These results show that by the end of the year, unemployment performed better, but critical labor conditions showed resilience against a decline. The relative improvement in labor market performance will depend on the revival of economic dynamism this year.

Figure 11. **UNEMPLOYMENT RATE (UNR) AND GENERAL PRESSURE RATE (GPRR)** (% WITH RESPECT TO THE TOTAL ACTIVE POPULATION)

Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

Figure 12. **UNDEREMPLOYMENT RATE (UUNR) AND CRITICAL EMPLOYMENT CONDITIONS (CECR)** (% WITH RESPECT TO THE TOTAL EMPLOYED POPULATION)
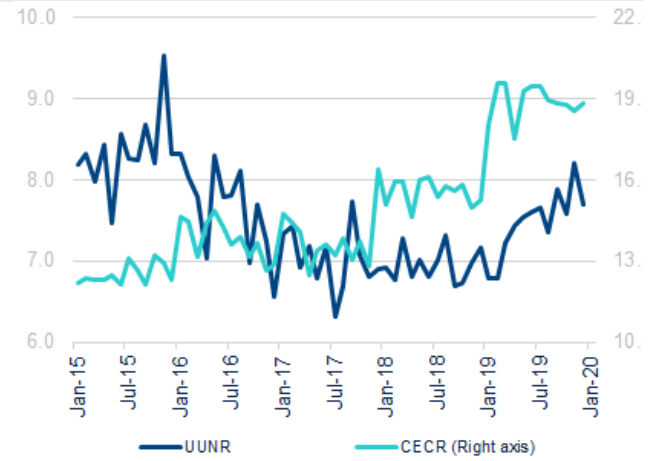
Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

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