

Job Market Report

First half of the year characterized by weakness in formal employment

David Cervantes, Fátima Del Río

Formal employment stagnates in June: first half of the year hits an all-time low marking a rocky start to the new six-year presidential term

Formal employment registered zero annual growth in June, prolonging its weakening trend with a negative monthly change of 0.1% in seasonally adjusted data. According to data released by the Mexican Institute of Social Security (IMSS), a net monthly loss of 46,378 formal jobs was reported, representing the third consecutive month of negative figures and accumulating a reduction of 134 thousand jobs in the second quarter. As a result, only 87 thousand new jobs were created from January to June, giving a year-to-date growth of 0.4% – the lowest level recorded since 2002 for a first semester (excluding 2009, year of the global financial crisis, and 2020, year of the COVID-19 pandemic). Observing the trend since October 2024 (month that marked the beginning of the current federal administration), job creation is firmly in negative territory with an accumulated loss of 155 thousand formal jobs. The slump reflects a deceleration of labor market dynamism since February 2022, caused by both internal and external factors, and accompanied by a severe seasonal adjustment in December 2024 that saw the loss of 405 thousand jobs – the highest figure observed in the historical series.

Slowdown in investment and consumption, economic uncertainty and worsening expectations anticipate continuous fragility in the labor market

Aside from idiosyncratic factors, the weakness observed in formal job creation is closely linked to the widespread slowdown in investment and private consumption. In this regard, Gross Fixed Capital Formation showed a reduction of 5.2% in the first quarter of the year compared with the first quarter of the previous year. Meanwhile, the [Monthly Indicator of Gross Fixed Capital Formation \(IMFBCF\)](#) fell by 1.7% monthly in seasonally adjusted data during April, giving a YTD contraction of 7.7%. When broken-down by component, there was a notable slump in machinery and equipment investment, which fell 2.2% in monthly terms and 9.1% at an annual rate. Meanwhile, investment in construction was down 1.1% monthly and 5.5% annually. These results are particularly significant as it is considered that both sectors maintain negative annual employment figures during June.

Business expectations also show persistent weakening, registering an annual decline in June of 4.5 points in the Global Indicator of Business Confidence Opinion (IGOEC), consolidating four months running below the neutral threshold of 50 points¹. By components, the contraction of the indicator “Right time to invest” was particularly noteworthy, with an annual decline of 8.2 points. The “Current economic situation of the country” component also fared poorly, falling 2.4 points annually and making it six consecutive months below the threshold of 50 points, confirming that business sentiment continues to worsen.

Total consumption presented an annual decline of 0.4% in the first quarter of the year, pointing to a clear contraction in consumer spending. In line with the above, the [BBVA Research Big Data Consumption Indicator \(BBVA Research ICBID\)](#), which had shown some resilience in previous months, [has now all but confirmed this slowdown and stagnation](#) by reporting a monthly growth of just 0.1%, due to a subdued services sector, which was down 2.0% during the month.

Weak consumption is being fuelled by a persistent deterioration in consumer expectations; in June, the [Consumer Confidence Indicator \(CCI\)](#) fell by 1.1 point compared with the previous month in seasonally adjusted data and by 2.2 points in annual terms. As in May, the worst performance was delivered by the component “Expected employment situation in the next 12 months”, showing a monthly variation of (-)5.1%, along with the “Expected economic situation of the country in the next 12 months”, which fell 4.8%. Meanwhile, the largest negative monthly change was seen in the “Possibility at the present time of acquiring durable goods”, which fell by 2.6%. Overall, there is a widespread sentiment of concern and lack of confidence that permeates consumption patterns and, ultimately, slows down job creation.

Owing to the prevailing economic uncertainty, we cannot make out any positives that could reverse the weakening of formal employment in the short term. In fact, this trend is likely to persist, influenced by both internal and external factors, including, in the latter case, the absence of stable medium- and long-term trade and tariff agreements with the United States.

Steady decline of employment prevails in construction and manufacturing; commerce and trade remain resilient yet services continue on the slide for five months running

- By employment type, the deterioration in June can be attributed to the loss of seasonal employment, which registered a monthly reduction of 0.99% in seasonally adjusted data. Permanent employment failed to offset this decline, posting a monthly growth figure of just 0.07%.
- By economic sectors, the slowdown presented a mixed performance. Some sectors exhibited a clear weakness that deepened, especially construction, which has now amassed ten straight

¹: Below that threshold, it reflects a contrary or less favorable expectation in respect of the component or topic in question.

months with annual contractions and currently shows a cumulative job destruction of 5.0% compared with December 2023. In June, this sector presented a significant monthly drop of 1.46% in seasonally adjusted data and an annual contraction of (-)8.2%. Meanwhile, the manufacturing sector continues to show a negative trend, making it six consecutive months with annual declines. In June, it posted a monthly reduction of 0.18% and a negative annual change of 1.2%.

- On a more positive note, the trade sector presents the most favorable outlook in terms of employment, having consistently shown positive monthly growth in seasonally adjusted data throughout almost the entire year. In June, this sector registered an annual growth of 2.9%, a figure that contrasts sharply with the result observed at the national level.
- Among these results, we must highlight the annual employment growth in the services sector, which rose by 1.4%. However, this sector has begun to show signs of weakening, as it has remained practically stagnant since February. In fact, it contracted by 0.15% in June. Although this sector had previously shown resilience in the face of the economic slowdown observed since February 2022, it is currently showing clear signs of weakness, which is especially relevant as it is the second-largest contributor to national employment.
- The agricultural sector has amassed 22 months on the slide and its level is currently 6.5% below the level reported in December 2023.

Negative job creation performance extends throughout the country; Only West and isolated states present positive growth

- On a regional² scale, four regions presented positive annual changes in June: West (1.0%), Northeast (0.5%), Bajío (0.4%) and Metropolitan (0.4%). However, within these regions there are considerable variations. A clear example is the Metropolitan region, where Mexico City showed a negative annual change of 1.3%, offset by the State of Mexico, which registered an annual growth of 3.6% – the highest at the national level in June.
- In the Western region, most of the states showed positive results, with Michoacan reporting a notable annual growth of 2.4%, followed by Colima with 1.9%. In contrast, Nayarit was the only state in this region to post negative figures, registering an annual decline of 2.3% and marking three consecutive months in negative territory.
- In the Bajío region, Aguascalientes (1.7%) and Hidalgo (1.3%) led the positive regional performance, while Zacatecas continued to show a sustained deterioration, with consecutive negative annual changes of 3.9% in May and 3.3% in June.
- The Northeast region delivered a mixed performance, with Nuevo Leon reporting a positive annual change of 2.2%, contrasting sharply with Coahuila, which presented an annual decline of 2.0%.

²: Regional classification. Bajío: AGS, GTO, HGO, QRO, SLP, ZAC; Metropolitan: CDMX, MEX; Northeast: COAH, DUR, NL, TAMP; Northwest: BC, BCS, CHIH, SIN, SON; West: COL, JAL, MICH, NAY; South: GRO, MOR, OAX, PUE, TLAX, VER; Southeast: CAMP, CHIS, QRO, TAB, YUC.

- In the Bajío region, Aguascalientes (1.7%) and Hidalgo (1.3%) continued to lead regional growth, while Zacatecas remained in negative territory, registering annual changes of (-)3.9% in May and (-)3.3% in June.
- Meanwhile, the South, Southeast and Northwest regions presented negative annual figures in June and positioned themselves as the most affected regions in the country. Notably, the Southeast continues to show the greatest deterioration in national employment, with Tabasco (-8.7%) and Campeche (-6.3%) holding the dubious honor of having witnessed the largest annual contractions.
- Elsewhere, the results for the Northwest region were broadly weak, with Baja California Sur being the only state that reported positive annual growth (1.3%), while Sinaloa witnessed the largest contraction in the region, with an annual decline of 2.7%.
- It should be noted that in the case of the Southeast and Northwest regions, not only did they register negative changes in June, but they also presented accumulated job losses, respectively standing 2.3% and 0.7% below the levels observed in December 2023.

Real wage growth stagnates and the total wage bill slows further

- In June, real wages registered an annual growth of 3.1%, on a par with the increase observed in the real total wage bill. Therefore, real wage growth is showing clear signs of stagnation, while the wage bill continues to decelerate.
- With respect to its average level, the wage bill is currently 1.7 percentage points below its historical average (2012–2024), reflecting the current weakness of employment and signaling a possible impact on consumption, in line with the recent loss of momentum observed in our BBVA Research Consumption Indicator.

The sustained slowdown in formal employment continues to reflect the fragility of the Mexican labor market, conditioned by the persistent weakness in investment, the slowdown in private consumption, and the deterioration in business confidence. While certain regions and specific sectors showed some resilience, there is a general trend towards negative changes in formal job creation that point towards a possible prolongation in the short run. Therefore, it is key to achieve medium- and long-term trade agreements with the United States to ease uncertainty, while also deploying internal mechanisms that rebuild confidence given the context of the arising judicial reform. These actions will incentivise investment and strengthen business confidence as key factors in achieving a sustained recovery of formal employment, an objective that seems hard to achieve in the short term.

Formal employment stagnates in June reporting zero annual growth

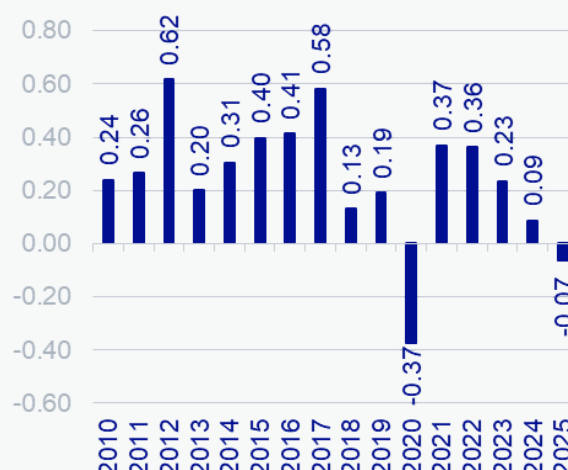
JOBS AFFILIATED WITH THE IMSS (ANNUAL CHG., %)



Source: BBVA Research / IMSS

Sharp employment decline in June, hitting an all-time low since 2019 (excluding 2020, COVID year)

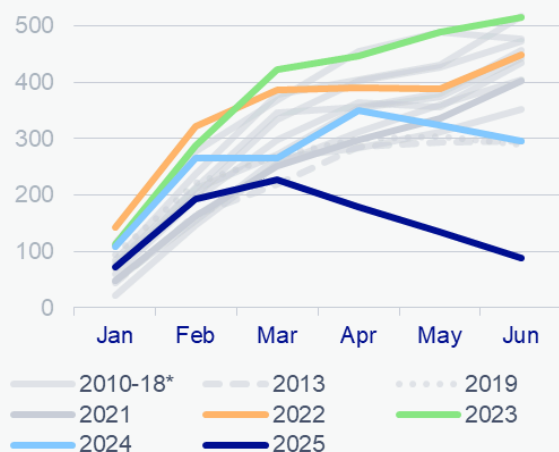
JOBS AFFILIATED WITH THE IMSS (MOM CHG. IN JUNE OF EACH YEAR, % SA)



Source: BBVA Research / IMSS

First semester registers the worst performance in decades

JOBS AFFILIATED WITH THE IMSS (CUM. MOM CHG. JAN-JUN, THOUS.)

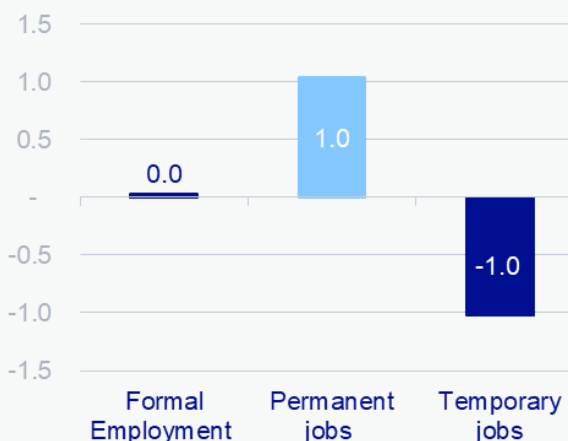


Source: BBVA Research / IMSS

*The year 2020 is omitted due to the impact of the pandemic.

Permanent employment unable to compensate for the fall of seasonal employment in June

JOBS AFFILIATED WITH THE IMSS BY TYPE OF EMPLOYMENT (ANNUAL CHG. JUN, % AND CONTRIBUTION TO GROWTH, PP)

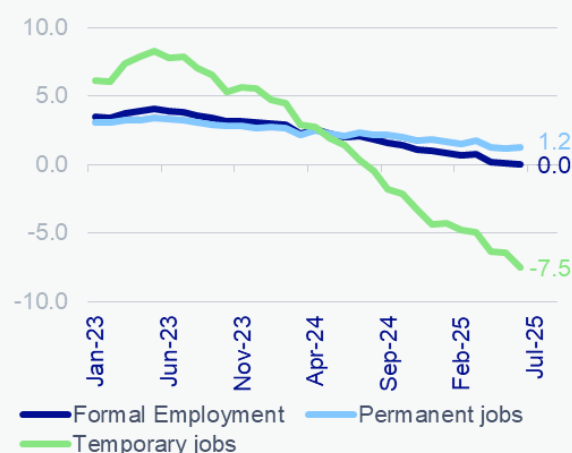


Source: BBVA Research / IMSS

Seasonal employment deterioration deepens...

JOBS AFFILIATED WITH THE IMSS BY TYPE OF EMPLOYMENT

(ANNUAL CHG., %)



accumulating eleven months of annual consecutive falls

JOBS AFFILIATED WITH THE IMSS BY TYPE OF EMPLOYMENT

(MOM CHG. JUN, % SA)



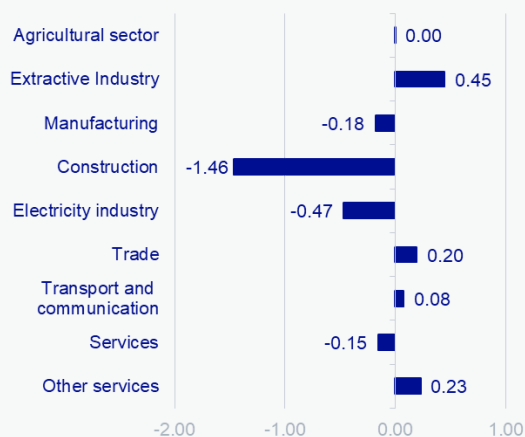
Source: BBVA Research / IMSS

Source: BBVA Research / IMSS

Construction registers the greatest monthly and annual reduction in formal employment...

JOBS AFFILIATED WITH THE IMSS BY ECONOMIC SECTOR

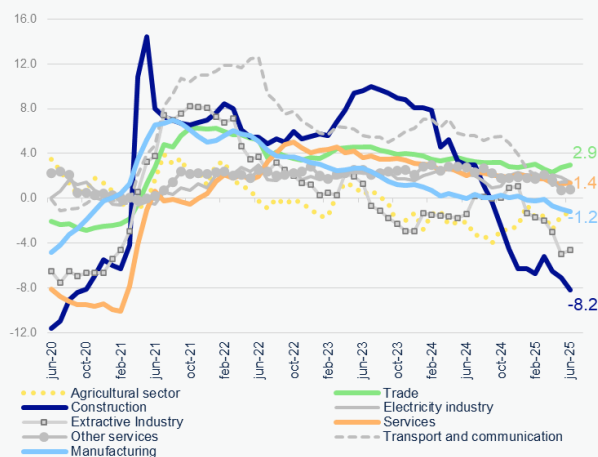
(MOM CHG. JUN, % SA)



while the manufacturing sector remains resilient and maintains positive figures

JOBS AFFILIATED WITH THE IMSS BY ECONOMIC SECTOR

(ANNUAL CHG., %)



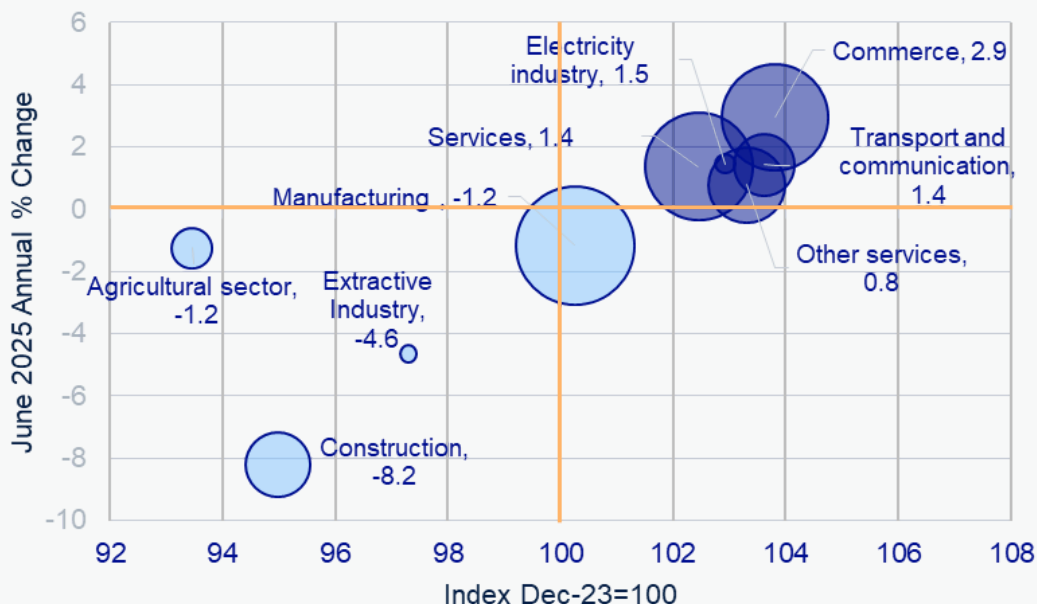
Source: BBVA Research / IMSS / Haver Analytics

Source: BBVA Research / IMSS

The trade sector continues to underpin job creation in June

JOBS AFFILIATED WITH THE IMSS BY ECONOMIC SECTOR

(INDEX DEC-23 = 100, ANNUAL CHG. JUN AND SHARE OF TOTAL EMPLOYMENT, %)



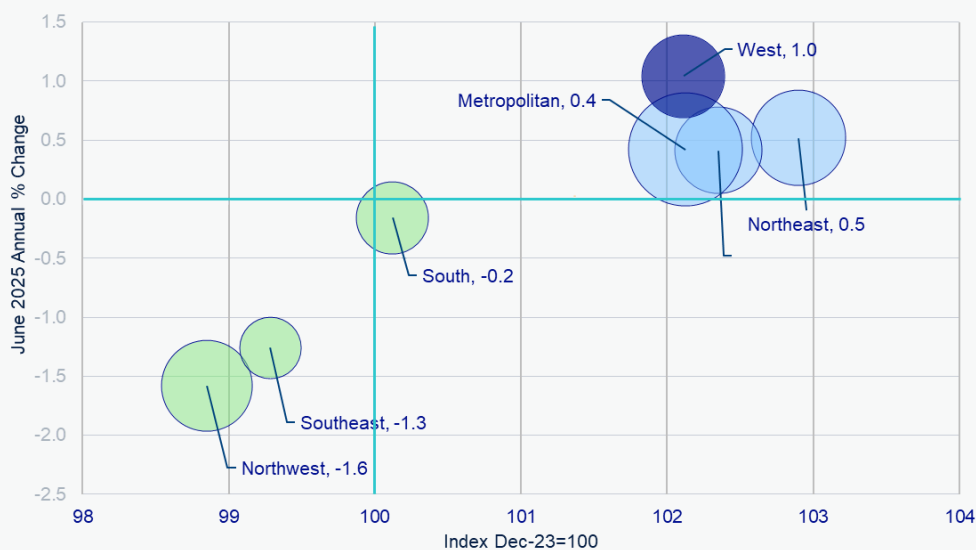
Source: BBVA Research / IMSS

— Bubble size represents share of total employment.

Regional disparity: Northwest and Southeast regions at the forefront of declines while the West consolidates as the most dynamic region in June

JOBS AFFILIATED WITH THE IMSS BY ECONOMIC SECTOR

(INDEX DEC-23 = 100, ANNUAL CHG. JUN AND SHARE OF TOTAL EMPLOYMENT, %)



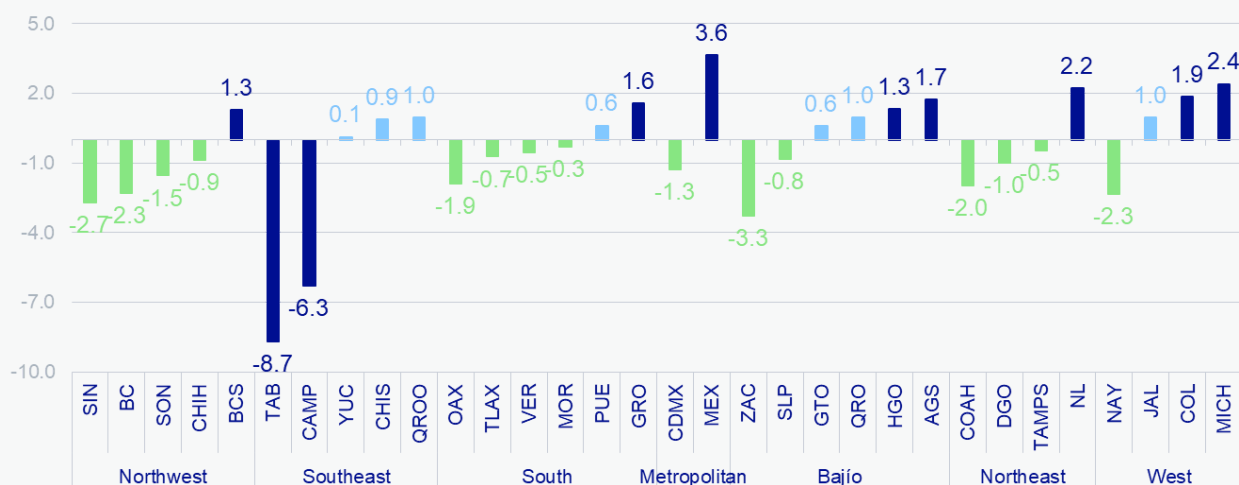
Source: BBVA Research / IMSS

— National average / Bubble size: share of total employment.

The deterioration of formal employment in Tabasco and Campeche intensifies; uneven growth within regions continues

JOBS AFFILIATED WITH THE IMSS BY STATE

(ANNUAL CHG. JUN, %)

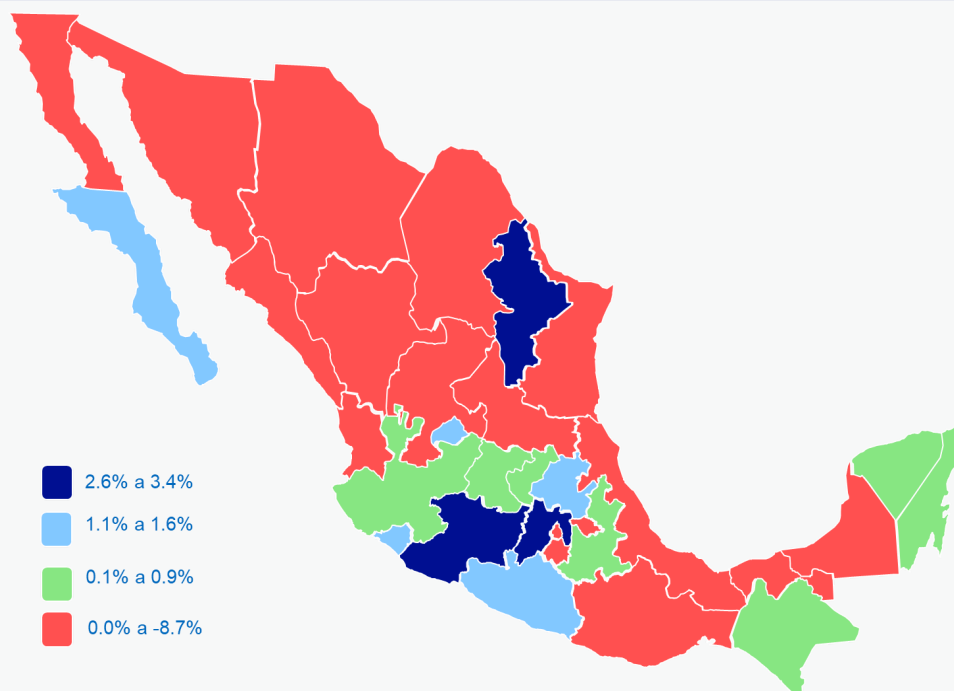


Source: BBVA Research / IMSS

Nuevo Leon, Michoacan and State of Mexico lead the workforce dynamics as the slow down spreads throughout the country

JOBS AFFILIATED WITH THE IMSS BY STATE

(ANNUAL CHG. JUN, %)

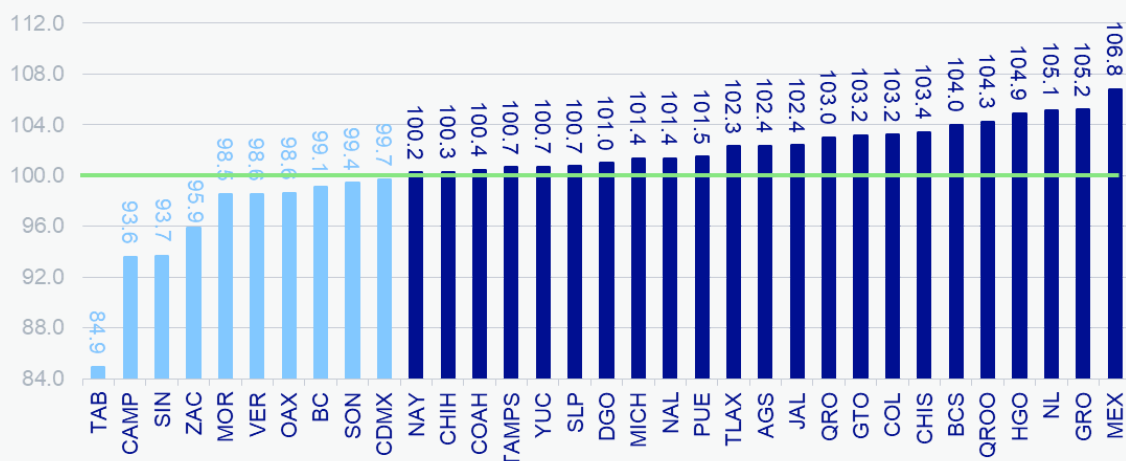


Source: BBVA Research / IMSS

An increasing number of states are experiencing cumulative job losses, with Tabasco, Campeche, Sinaloa, Oaxaca, and Veracruz being particularly affected

JOBS AFFILIATED WITH THE IMSS BY STATE

(INDEX DEC-23 = 100)

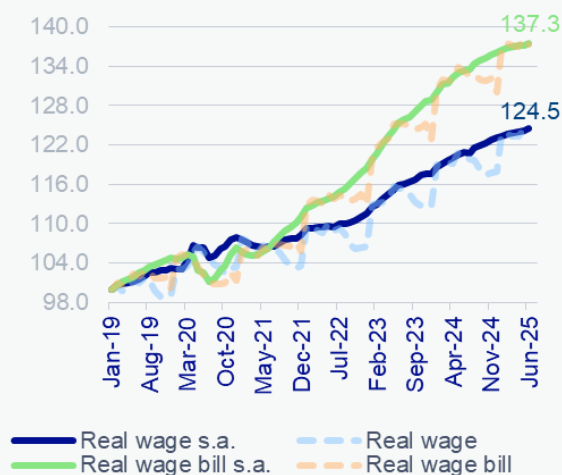


Source: BBVA Research / IMSS

Real wage signals stagnation

JOBS AFFILIATED WITH THE IMSS: REAL WAGE AND REAL WAGE BILL

(INDEX DEC-23 = 100)



Source: BBVA Research / IMSS

Employment deterioration hits the total wage bill, driving it below its historical average

JOBS AFFILIATED WITH THE IMSS: REAL WAGE AND REAL WAGE BILL

(ANNUAL CHG., %)



Source: BBVA Research / IMSS

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