

2-16-2011

Unemployment Remained High in October-December 2010 Despite Evidence of Better-than-expected Economic Growth During Year

Carlos Navarro

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

Navarro, Carlos. "Unemployment Remained High in October-December 2010 Despite Evidence of Better-than-expected Economic Growth During Year." (2011). <https://digitalrepository.unm.edu/sourcemex/5469>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Unemployment Remained High in October-December 2010 Despite Evidence of Better-than-expected Economic Growth During Year

by Carlos Navarro

Category/Department: Economy

Published: Wednesday, February 16, 2011

The employment picture in Mexico was not very pretty in 2010 even though the country's economic performance was better than anticipated. In a report published in early February, the government's statistics agency Instituto Nacional de Estadística y Geografía (INEGI) said unemployment reached 5.4% of the economically active population (EAP) in the fourth quarter of 2010, which was on par with the 5.3% rate reported in October-December 2009. But the percentages did not offer the most accurate portrayal of the situation in Mexico; INEGI reported that 2.5 million Mexicans were without work in the fourth quarter, and another 11 million were making a living in the informal economy at the end of last year. Furthermore, INEGI reported that joblessness was worse in some of the states that have traditionally accounted for the bulk of the country's economic activity, including the Federal District and surrounding areas.

Analysts agreed that the relatively high unemployment rate results in large measure from the inability of the business sector to create the jobs needed by the Mexican work force. By some estimates, about 700,000 jobs were created last year, but this was not sufficient to meet the needs of the population.

Alfonso Bouzas, a labor specialist at the Universidad Nacional Autónoma de México (UNAM), said the unemployment rate has been coming down gradually after peaking at 6.2% in the third quarter of 2009. But the rate for the fourth quarter of 2010 was still far above the range of between 3.1% and 4% recorded every quarter in 2005-2007.

On top of that, INEGI reported that the EAP has actually declined to 57.8% of the total population, compared with 59.3% at the end of 2009.

"The unemployment rate did not decline in 2010, and those people who found jobs did so under unfavorable conditions," Bouzas told the Mexico City business daily newspaper

Although some people have succeeded in finding employment, they do not necessarily find jobs that will help them sustain their families. Analyst José Luis de la Cruz of the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) said the government's own statistics indicated that 24% of the work force was employed more than 48 hours a week, and only 52% had access to health care. Furthermore, some 47% of workers did not sign a written contract.

Highest joblessness rate in Mexico City area, other industrialized states

The INEGI report revealed the highest rates of joblessness were in the regions that have traditionally been responsible for job creation in Mexico, including the northern and central industrialized states of Coahuila, Sonora, Tamaulipas, Queretaro, Jalisco, and Aguascalientes. Also on the list was Baja California Sur, which relies heavily on tourism.

The Mexico City area experienced an unemployment rate of about 6.6% to 6.7%. México state and the Federal District comprise the largest job markets in the country, accounting for 13.7% and 8.9% respectively, and together represent almost one-fourth of the total at the national level, said INEGI.

In Jalisco, home to Mexico's second-largest city of Guadalajara, the unemployment rate of 6% of EAP was the highest in five years. In the fourth quarter of 2005, the unemployment rate in Jalisco was only 3.9% of EAP.

In contrast, some of the poorest states in Mexico also accounted for the lowest unemployment rates in the fourth quarter, based on INEGI's index. Unemployment was reported at 2.1% of EAP in Guerrero, 2.8% in Chiapas, and 2.7% in Oaxaca. This is a stark contrast to neighboring Tabasco state, which reported the country's highest rate of unemployment at 8.1% of EAP.

The bleak unemployment picture came despite an apparent growth in GDP in 2010. In an unofficial estimate, the Banco de México's chief governor Agustín Carstens said Mexico's economy expanded by a much-better-than-expected rate of 5.4% last year. The central bank (Banco de México, BANXICO) will release its official data on Mexico's 2010 GDP growth on Feb. 21.

The better-than-expected performance near the end of the year prompted Carstens to raise the estimate for 2011 to a range between 3.8% and 4.8%. In a projection last November, BANXICO had predicted GDP growth for 2011 in a range between 3.2% and 4.2%.

"Exports continue to be an important engine of growth," Carstens said. He pointed out that Mexico's output gap—the difference between actual production and potential output—will likely turn positive in the second half of 2011. "As for domestic spending, there have been improvements both in consumption and investment."

The central bank is not yet ready to predict that economic growth will translate to massive job creation. For now, the bank is willing to project that 600,000 to 700,000 formal jobs will be created in 2011. While this is slightly below the total for 2010, BANXICO officials are quick to point out that earlier projections had forecast that only 500,000 to 600,000 jobs would be created.

-- End --