

Wage negotiations – 3.8% increase in October supported by IMSS salary revision

November 9, 2018

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- **The Ministry of Labor just published the contractual wage negotiation figures for October**
- **Wage negotiations (October) 3.8%; Banorte: 4%; previous: 5.8%**
- **Salaries in the public sector stood at 3.4% benefiting the majority of workers, while in the private sector wages increased 5.5%**
- **We highlight the 5.4% growth in the industrial sector, particularly in mining sub-sector**
- **Looking ahead, we continue to expect upward pressures in wage negotiations**
- **For the third consecutive month, the State of Mexico stands out as the federal entity with the highest number of workers with a wage increase**

Wages increased 3.8% in October. Today, the Ministry of Labor published the figures for contractual wage negotiations. During October, 572.8 thousand workers negotiated an average increase of 3.8%, slightly below our 4% forecast. It is worth noting that this number is lower than the 5.8% revised figure from September. In the first ten months of the year, 2.2 million workers have benefited by an average increase of 4.9%, greater than the 4.3% seen in the same period of 2017. Moreover, 19.2 thousand more workers have received a wage increase in comparison to last year.

The wage negotiations during the month were mainly explained by a greater number of workers in the public sector who got a raise vs. those in the private sector. On average, 458,283 employees got a 3.4% increase in their wages. Moreover, 114,522 workers in the private sector received an average raise of 5.5% (as shown in the table below). It's important to highlight that the strong increase in the number of workers in this sector is due to the negotiation in the collective contracts of the *“National Union of Social Security Workers”*.

Contractual wage negotiations

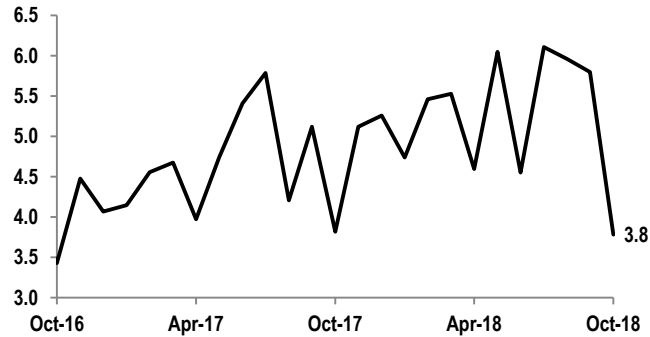
% yoy in nominal terms; number of workers

%yoy in nominal terms	Oct-18	Oct-17	Jan-Oct, 18	Jan-Oct, 17
Total	3.8	5.8	4.9	4.3
Public	3.4	3.4	3.4	3.1
Private	5.5	5.9	5.7	5.1
Number of workers				
Total	572,805	81,048	2,210,730	2,191,502
Public	458,283	2,659	803,312	799,240
Private	114,522	78,389	1,407,418	1,392,262
Year-to-date's share of workers				
Total	25.9	3.7		
Public	57.0	0.3		
Private	8.1	5.6		

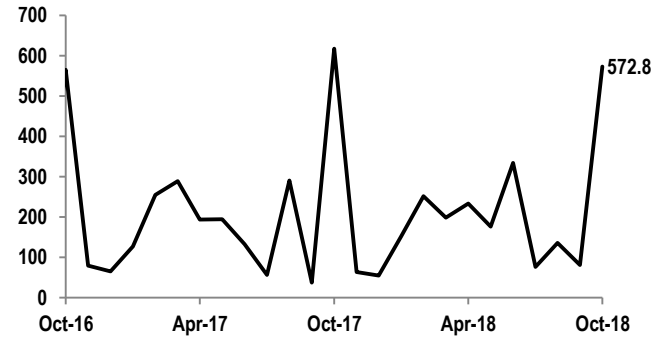
Source: Ministry of Labor

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Contractual wage negotiations
% yoy, nominal



Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industrial sector increased 5.4%, benefitting 83.5 thousand workers. Taking a look at the breakdown, we highlight the average raise of 5.4% to 82,212 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the mining sector amounting to 5.8%, benefitting only 570 employees.

Services sector posted a 3.5% average increase, benefitting the most workers (489.3 thousand). Within the sector, wage negotiations in the commerce subsector rose 6.4%, benefitting 5,318 employees. Moreover, the financial and real estate sector increased the wages of 954 workers by 4.6%. Finally, others sub-sector furthered 3.4% the wages of 466,724 employees particularly in the subsector of health services, which significantly boosted the total number of workers with negotiation of their salaries in the country during the month.

Contractual wage negotiations by sector

	October 2018		Jan-Oct, 18		Jan-Oct, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	5.4	83,503	5.4	1,030,175	4.8	1,040,232
Mining	5.8	570	3.9	192,406	3.6	197,109
Manufacturing	5.4	82,212	6.0	744,396	5.3	745,894
Construction	4.1	53	5.1	1,655	4.3	2,946
Utilities	4.4	668	3.4	91,718	3.1	94,283
Services	3.5	489,302	4.4	1,172,020	3.9	1,143,470
Commerce	6.4	5,318	5.5	135,478	4.9	125,678
Transport, storage and communications	6.2	16,306	5.0	299,246	4.5	293,656
Financial and real estate services	4.6	954	5.5	110,883	4.2	104,825
Other	3.4	466,724	3.7	626,413	3.4	619,311
Agricultural	0.0	0	7.1	8,535	5.1	7,800

Source: Ministry of Labor

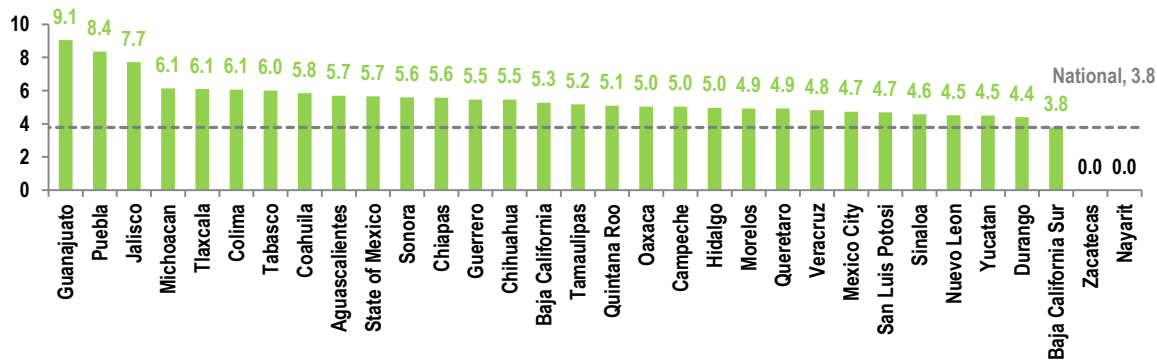
Looking ahead, we continue to expect upward pressures in wage negotiations. We consider that the impact of the increase in the minimum wage enacted on December 1, 2017, as well as the high levels of inflation seen last year, and in the first half of 2018, will continue to weigh on wage negotiations in the final months of the year. In addition, we will be paying close attention to the minimum wage revision for 2019, which is due in coming weeks.

At a state level

For the third consecutive month, the State of Mexico stands out as the federal entity with the highest number of workers with a wage increase. It is worth noting there are 542,612 workers who work in more than one entity which received an average increase of 3.7% during the month. However, these figures are not considered in the regional analysis. In the tenth month of 2018, 30 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 3.8% national average. For the third consecutive month, the State of Mexico stands out as the entity with the most workers benefitting from a wage revision (4,697 workers). In this context, wage negotiations in this state increased 5.7%, which was given through 54 negotiations. By contrast Guerrero, Colima, Tabasco and Chiapas showed the lowest number of workers with salary benefits of the country. Additionally, for Nayarit and Zacatecas no negotiations took place during the month.

Contractual wage negotiations by federal entity: October 2018

% in nominal terms



Source: Banorte; Ministry of Labor

Moreover, Guanajuato was the entity with the highest wage increase in the month (+9.1%). It is important to highlight that this raise benefited only 492 workers. Year-to-date, 91,803 workers in the state have seen their salary increase by an average of 7.5%. On the other hand, Puebla (8.4%), Jalisco (7.7%), Michoacan, and Tlaxcala (6.1%), had firms that furthered wages for their workers above the national average, as shown in the table on the right.

Higher and lower workers with contractual wage negotiations

Higher and lower contractual wage negotiations

	Year-to-date				Year-to-date				
	Workers	%	Workers	Jan-Oct '18	Workers	% oya	Workers	Jan-Oct '18	Workers
National	3.8	30,193	5,415	724,522	National	30,193	3.8	4.9	724,522
Guanajuato	9.1	492	348	91,803	State of Mexico	4,697	5.7	6.0	121,708
Puebla	8.4	1,864	224	38,565	Aguascalientes	3,706	5.7	5.9	18,787
Jalisco	7.7	262	298	32,285	Mexico City	3,013	4.7	5.4	59,944
Michoacan	6.1	1,351	121	16,150	Baja California	2,389	5.3	5.3	9,984
Tlaxcala	6.1	1,487	59	10,427	Puebla	1,864	8.4	5.6	38,565
Yucatan	4.5	221	56	4,572	Guerrero	47	5.5	5.4	2,271
Durango	4.4	860	32	5,274	Colima	46	6.1	6.5	7,839
Baja California Sur	3.8	210	29	4,481	Tabasco	1	6.0	5.1	3,217
Zacatecas	--	--	39	11,214	Zacatecas	--	--	6.1	11,214
Nayarit	--	--	15	651	Nayarit	--	--	5.2	651

Source: Banorte; Ministry of Labor

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