

Wage negotiations – Salaries increase 4.1% in August

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- The Ministry of Labor just published the contractual wage negotiation figures for August
- Wage negotiations (August) 4.1%; Banorte-Ixe: 5.1%; previous: 5.8%
- Salaries in the private sector rose 5.4%, although in the public sector they only increased 3.1%
- We highlight the 5.6% increase in the services sector, particularly in the transportation, storage and communications sub-sector
- Looking ahead, we expect marginally higher increases in salaries after the rise in the minimum wage and the pickup in inflation
- The State of Mexico stands out as the federal entity with the highest number of workers with wage increases

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Wages increased 4.1% in August. Today, the Ministry of Labor published the figures for contractual wage negotiations. During August, 272.1 thousand workers negotiated an average increase of 4.1% yoy (Banorte-Ixe: 5.1%). So far this year, the average for wages negotiated reached 4.5% yoy, above the 4.2% seen during the same period in 2016. We also highlight that 1.5 million workers have benefitted from an increase in the past 7 months, 72.4 thousand more than in the same period for 2016.

The lower average of wage increases was mainly explained by a rise in the numbers of workers, which in August amounted to 158,242, receiving an average increase of 3.1%. However, in the private sector, wage increases averaged 5.4% for 113,850 workers, as seen in the table below.

Contractual wage negotiations

Nominal, %yoy	Ago-17	Jul-17	Jan-Ago, 17	Jan-Ago, 16
Total	4.1	5.8	4.5	4.2
Public	3.1	5.1	3.1	3.2
Private	5.4	5.8	4.9	4.5

Number of workers

Total	272,092	55,996	1,517,818	1,445,423
Public	158,242	34	342,950	351,556
Private	113,850	55,962	1,174,868	1,093,867

Year-to-date's share of workers

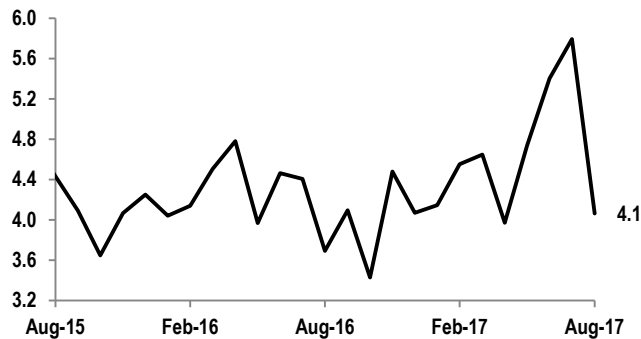
Total	17.9	3.7
Public	46.1	0.0
Private	9.7	4.8

Source: Ministry of Labor

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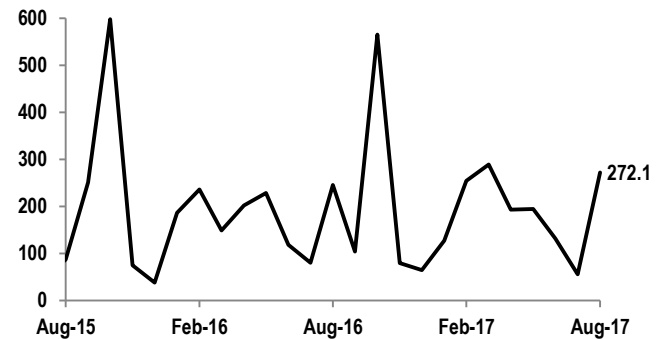
Contractual wage negotiations

% yoy, nominal



Workers receiving a wage increase

thousands



Source: Ministry of Labor, Banorte-Ixe

Wages in the industrial sector increased 3.8%, benefitting the most workers out of any sector. Taking a look at the breakdown, we highlight the average increase of 5.1% to 64,219 workers of the manufacturing sub-sector. Moreover, in the manufacturing sub-sector, the workers belonging to Pemex's syndicate, which are close to 100 thousand employees, negotiated a 3.12% increase. Considering this, 160,421 workers negotiated a 3.2% increase in the sector.

Services sector posted a 5.6% average increase. Within the sector, wage negotiations in the transportation, storage and communications sub-sector benefitted the most workers (28,598 employees) and posted the highest average increase reaching 6.1%. Moreover, commerce subsector posted the second highest average increase amounting to 5.2%, favoring 9,284 employees.

Contractual wage negotiations by sector

	August 2017		Jan-Ago, 17		Jan-Ago, 16	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	3.8	225,379	4.6	877,159	4.1	846,498
Mining	3.2	160,421	3.6	189,889	3.4	177,359
Manufacturing	5.1	64,219	5.2	591,456	4.5	573,132
Construction	4.3	614	4.3	2,827	4.3	1,685
Utilities	4.7	125	3.1	92,987	3.2	94,322
Services	5.6	44,988	4.3	633,551	4.3	592,425
Commerce	5.2	9,284	4.5	115,202	6.0	109,245
Transport, storage and communications	6.1	28,598	4.4	271,143	4.0	245,037
Financial and real estate services	5.2	696	4.2	96,536	4.0	103,538
Other	4.0	6,410	4.2	150,670	3.6	134,605
Agricultural	4.3	1,725	5.0	7,108	4.8	5,200

Source: Ministry of Labor

We forecast marginally higher increases in salaries in the coming month.

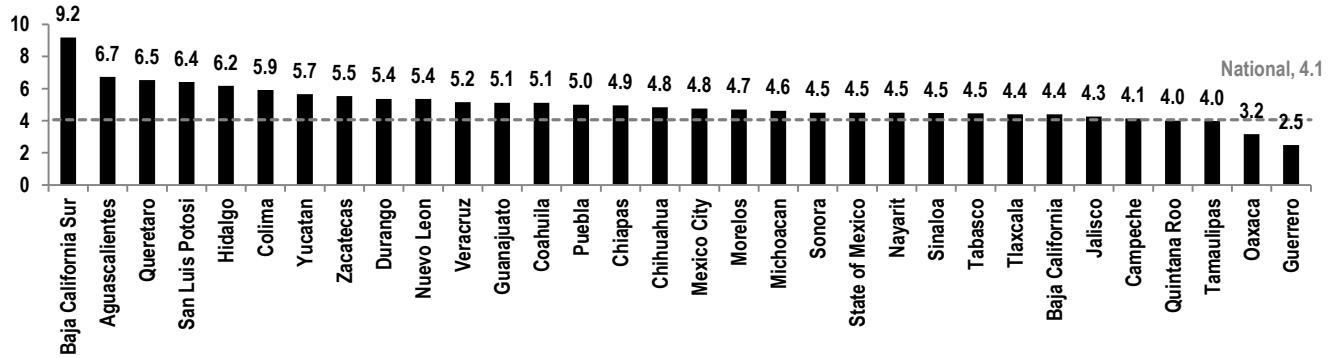
We consider that the impact of the increase in the minimum wage, as well as higher inflation will continue to weigh in the coming months. However, looking ahead we expect it to moderate due to the convergence of inflation expectations towards Banxico's target, as shown in the consumer confidence survey.

At the regional level

The State of Mexico stands out as the federal entity with the highest number of workers with wage increases. In August, 28 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 4.1% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: August 2017

% in nominal terms



Source: Banorte-Ixe; Ministry of Labor

The State of Mexico stands out as the entity with the highest number of workers that benefited from wage revisions during August (14,839 workers). In this context, wage negotiations in this federal entity increased 4.5% as shown in the following table. Year-to-date, 103,859 workers benefited their salary by an average of 4.9%. However, in the state of Quintana Roo only 24 workers were benefited from wage negotiations. Year-to-date, 3,019 workers in the state have seen their salary increase by an average of 4.6%. Moreover, Baja California Sur stands out as the entity with the highest wage increase in the month (+9.2%), benefiting 1,364 workers. Year-to-date, 1,415 workers in the state have seen their salary increase by an average of 4.8%, as shown in the right table. Further down, the states of Aguascalientes (6.7%), Queretaro (6.5%), San Luis Potosi (6.4%), and Hidalgo (6.2%), also had firms that increased wages for their workers well above the national average, as shown in the right table.

Higher and lower workers with contractual wage negotiations

	Year-to-date			
	Workers	%	Workers	Jan-Aug, '17
National	272,092	4.1	4.5	1,517,818
State of Mexico	14,839	4.5	4.9	103,859
Puebla	13,088	5.0	4.9	32,787
Coahuila	11,188	5.1	5.4	62,784
Guanajuato	7,627	5.1	5.5	74,246
Mexico City	4,602	4.8	4.8	50,955
Morelos	201	4.7	4.7	4,376
Yucatan	118	5.7	4.8	3,973
Guerrero	94	2.5	4.8	3,587
Campeche	34	4.1	4.1	662
Quintana Roo	24	4.0	4.6	3,019

Source: Banorte-Ixe; Ministry of Labor

Higher and lower contractual wage negotiations

	Year-to-date			
	% oya	Workers	Jan-Aug, '17	Workers
National	4.1	272,092	6,633	1,517,818
Baja California Sur	9.2	364	20	1,415
Aguascalientes	6.7	1,350	61	13,820
Queretaro	6.5	1,356	93	15,510
San Luis Potosi	6.4	1,300	97	19,219
Hidalgo	6.2	1,876	135	11,218
Campeche	4.1	34	20	662
Quintana Roo	4.0	24	29	3,019
Tamaulipas	4.0	820	223	9,043
Oaxaca	3.2	883	70	2,846
Guerrero	2.5	94	38	3,587

Source: Banorte-Ixe; Ministry of Labor

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