

Wage negotiations – Salaries increase 5.6% in June

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Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

Miguel Calvo
Regional Analyst
miguel.calvo@banorte.com

- **The Ministry of Labor just published the contractual wage negotiation figures for June**
- **Wage negotiations (June) 5.6%; Banorte: 5%; previous: 6%**
- **Salaries in the private sector rose 5.7%, although in the public sector they only increased 3.4%**
- **We highlight the 6.1% growth in the industrial sector, particularly in the manufacturing sub-sector**
- **Looking ahead, we continue to expect upward pressures in wage negotiations**
- **Coahuila stands out as the federal entity with the highest number of workers with wage increases in June 2018**

Wages increased 5.6% in June. Today, the Ministry of Labor published the figures for contractual wage negotiations. During June, 155.7 thousand workers negotiated an average increase of 5.6%, above our 5% forecast. It is worth noting that this number is marginally lower than the 6% revised figure from May.

In the first half of the year, 1.15 million workers have benefited by an average increase of 5.3%, greater than the 4.6% seen in the same period of 2017. However, 42.8 thousand less 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 private sector who got a raise vs. those in the public sector. On average, 147,583 employees got a 5.7% increase in their wages. Moreover, 8,191 workers in the public sector received an average raise of only 3.4% (as shown in the table below).

Contractual wage negotiations

% yoy in nominal terms; number of workers

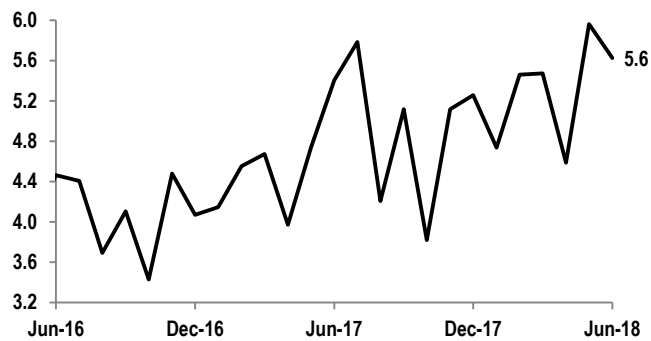
%yoy in nominal terms	Jun-18	Jun-17	Jan-Jun, 18	Jan-Jun, 17
Total	5.6	6.0	5.3	4.6
Public	3.4	3.4	3.5	3.1
Private	5.7	6.2	5.6	4.8
Number of workers				
Total	155,774	168,136	1,147,297	1,190,122
Public	8,191	12,009	181,784	184,702
Private	147,583	156,127	965,513	1,005,420
Year-to-date's share of workers				
Total	13.6	14.7		
Public	4.5	6.6		
Private	15.3	16.2		

Source: Ministry of Labor

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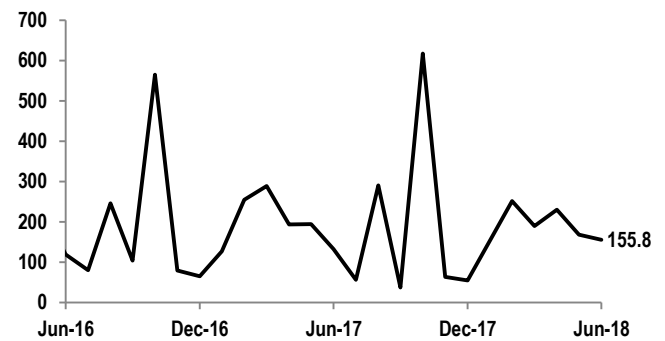
Contractual wage negotiations

% yoy, nominal



Workers receiving a wage increase

thousands



Source: Ministry of Labor

Wages in the industrial sector increased 6.1%. Taking a look at the breakdown, we highlight the average raise of 6% to 61,944 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the mining sector amounting to 6.8%, benefitting 4,633 employees.

Services sector posted a 5.3% average increase, benefitting the most workers out of any sector. Within the sector, wage negotiations in the “others” sector rose 5.6%, benefitting 25,406 employees, mainly explained by the 6.5% boost to 17,310 workers in the leisure and food preparation services. On the other hand, the transportation, storage and communications sub-sector furthered 5% the wages of 31,805 employees

Contractual wage negotiations by sector

	June 2018		Jan-Jun, 18		Jan-Jun, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	6.1	67,432	5.7	581,415	4.9	615,474
Mining	6.8	4,633	6.4	14,636	5.4	28,617
Manufacturing	6.0	61,944	6.1	475,022	5.2	492,408
Construction	5.0	491	5.1	1,516	4.3	1,798
Utilities	3.6	364	3.4	90,241	3.1	92,651
Services	5.3	88,147	4.9	560,431	4.2	569,422
Commerce	5.3	6,348	5.1	102,089	4.4	102,066
Transport, storage and communications	5.0	31,805	4.8	219,743	4.2	231,756
Financial and real estate services	5.3	24,588	5.4	98,737	4.2	94,914
Other	5.6	25,406	4.3	139,862	4.1	140,686
Agricultural	4.3	195	7.3	5,451	5.2	5,226

Source: Ministry of Labor

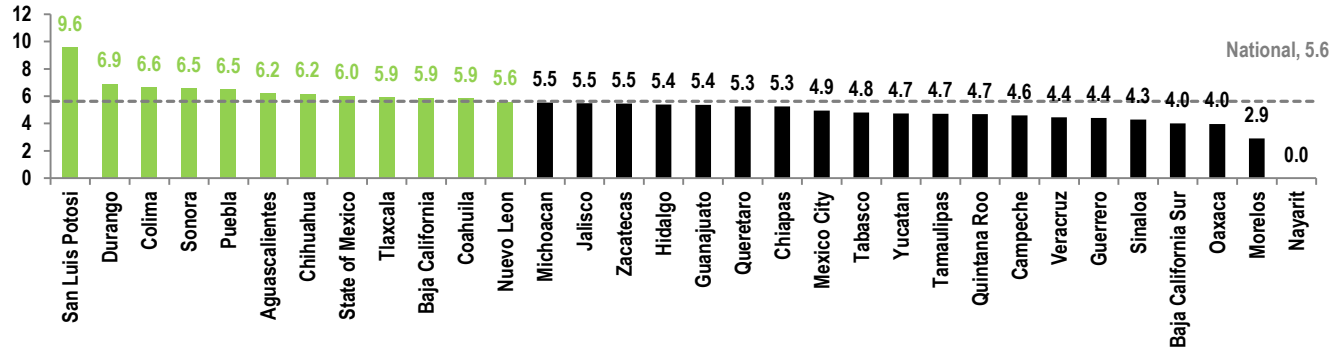
Looking ahead, we continue to expect upward pressures in wage negotiations. We consider that the impact of the increase in the minimum wage enacted on December 1, 2017, as well as the high levels of inflation seen last year, and the beginning of 2018, will continue to weigh on wage negotiations in the first half of 2018.

At the regional level

Coahuila stands out as the federal entity with the highest number of workers with wage increases in June. In the sixth month of 2018, 11 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.6% weighted average. It is worth noting there are 83,142 workers who work in more than one entity, which received an average increase of 5.4%, which is not considered in the regional analysis.

Contractual wage negotiations by federal entity: June 2018

% in nominal terms



Source: Banorte; Ministry of Labor

Coahuila stands out as the entity with the most workers benefitting from a wage revision during June (15,445 workers). In this context, wage negotiations in this entity increased 5.9%. By contrast Nayarit, Morelos, Oaxaca, Baja California Sur, and Sinaloa showed the smallest number of workers with wage negotiations in the sixth month of 2018.

Moreover, San Luis Potosi was the entity with the highest wage increase in the month (+9.6%), the highest since July 2011. It is important to highlight that, this raise benefited 3,684 workers including policeman from Soledad de Graciano Sánchez municipality. Year-to-date, 21,312 workers in the state have seen their salary increase by an average of 9%, as shown in the table on the right. Further down, the states of Durango (6.9%), Colima (6.6%), Sonora, and Puebla (6.5%), also 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

	Year-to-date			Higher and lower contractual wage negotiations			Year-to-date		
	Workers	%	Workers	Jan-Jun '18	% yoy	Workers	Jan-Jun '18	Workers	
National	72,632	5.6	5.3	496,446	5.6	72,632	3,788	496,446	
Coahuila	15,445	5.9	5.7	47,780	San Luis Potosi	9.6	3,684	77	
State of Mexico	11,536	6.0	5.9	85,472	Durango	6.9	1,452	19	
Guanajuato	7,100	5.4	6.7	64,175	Colima	6.6	210	21	
Mexico City	6,671	4.9	5.2	42,697	Sonora	6.5	2,416	83	
Puebla	6,311	6.5	5.6	19,570	Puebla	6.5	6,311	149	
Baja California Sur	120	4.0	5.6	3,359	Sinaloa	4.3	297	60	
Yucatan	118	4.7	5.2	4,010	Baja California Sur	4.0	120	20	
Campeche	112	4.6	4.9	1,107	Oaxaca	4.0	681	56	
Chihuahua	61	6.2	5.5	6,900	Morelos	2.9	612	62	
Nayarit	--	--	5.4	406	Nayarit	--	--	8	

Source: Banorte; Ministry of Labor

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Víctor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvlazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454