

## Wage negotiations settle at 4.3% in February

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- **Wage negotiations (February): 4.3%; Banorte-Ixe: 4.3%; previous: 4.2%**
- **Wages in the private sector increased 4.4%, while in the public sector workers received a 3.3% increase**
- **In our opinion, today's 4.3% hike in wages is not a source of concern in terms of inflation**

**Wage negotiations in February came in at 4.3% in nominal terms (Banorte-Ixe: 4.3%).** The negotiations in February were slightly above the average in 2014 (4.1%). Moreover, most of the negotiations were conducted in the private sector (745 of the 758 negotiations that took place), with the bulk of workers also belonging to this sector (194,336 of the 204,654 workers), as shown in the following table.

### Contractual wage negotiations

% oya

Nominal	Feb-15	Jan-15	Jan-Feb, 15	Jan-Feb, 14
<b>Total</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.1</b>
Public	3.3	3.4	3.3	4.0
Private	4.4	4.7	4.5	4.2
<b>In Real Terms</b>				
<b>Total</b>	<b>1.3</b>	<b>1.2</b>	<b>1.3</b>	<b>-0.2</b>
Public	0.3	0.3	0.3	-0.4
Private	1.4	1.6	1.5	-0.2
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>205</b>	<b>192</b>	<b>396</b>	<b>392</b>
Public	10	53.6	64	65
Private	194	138	332	327

Source: Banorte-Ixe; Ministry of Labor

**Negotiations in the industrial sector were in line with the observed in February 2014 (4.7%).** In the mining sector, wage increases were in the area of 6%, slightly below the ones negotiated in February 2014 (6.2%). In the manufacturing sector, wages increased 4.4%, slightly below with the observed in the same period of 2014 (4.5%). Finally, in the construction sector, wage increases were at 4.3%, while the average of 2014 stood in the area of 4.5%.

**Bargaining processes in the services sector resulted slightly below the ones obtained in February 2014 (4.1% vs. 4.2%).** In the retail sector, wage increases were up 4.2% vs. the 4.3% observed in the same month of 2014. In the financial services sector, wages improved 5.1%, above the 4% in February 2014. Moreover, workers in “*other services*” sector, negotiated wages by 4%, in line the ones obtained in February 2014. Similarly, in transportation, storage and communications sector, wage increases were at 4.3% vs. 5% in February 2014.

**Finally in the agricultural sector, the wage negotiations stood at 4.4% yoy.** We highlight that this figure was above the 2% obtained in February 2014, and was also above the average for 2014, which was in the area of 4.3%, as shown in the following table.

**Contractual wage negotiations in February 2015**

	Year-to-date				
	% oya	Workers	% oya	Workers	2014
<b>Total</b>	<b>4.3</b>	<b>204,654</b>	<b>4.3</b>	<b>396,172</b>	<b>4.1</b>
Public	3.3	10,318	3.4	63,903	<b>3.6</b>
Private	4.4	194,336	4.5	332,269	<b>4.4</b>
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.7</b>	<b>101,237</b>	<b>--</b>	<b>168,363</b>	<b>--</b>
Mining	6.0	1,245	5.7	3,471	<b>4.2</b>
Manufacturing	4.4	99,458	4.4	164,197	<b>4.5</b>
Construction	4.3	460	4.4	480	<b>4.5</b>
Utilities	4.0	74	3.9	215	<b>3.5</b>
<b>Services</b>	<b>4.1</b>	<b>102,891</b>	<b>--</b>	<b>225,726</b>	<b>--</b>
Commerce	4.2	30,337	4.7	47,817	<b>4.3</b>
Transport, storage and communications	4.3	9,727	4.0	18,499	<b>3.9</b>
Financial services	5.1	23,995	4.4	32,392	<b>4.6</b>
Other	4.0	38,832	3.9	127,018	<b>4.6</b>
<b>Agricultural</b>	<b>4.4</b>	<b>526</b>	<b>4.1</b>	<b>2,083</b>	<b>4.3</b>

Source: Banorte-Ixe; Ministry of Labor

**In our opinion, the outcome of wage negotiations is not a source of concern in terms of inflation.** February’s wages –in real terms- posted a 1.31% increase, its highest level since February 2002. However, we continue to believe that the increases in contractual wages in the past months respond mostly to a recovery period of lost productivity during the economic crisis, and do not imply that the firms perceive greater inflationary pressures. In this regard, we highlight that real wages in Mexico have shown a significant lag with respect to the pace of growth in formal employment. Additionally, broader measures of wages remain stable.

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