

Wage negotiations – Stronger pick up in wages in February

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- The Ministry of Labor published contractual wage negotiations for February
- Wage negotiations (February): 6.0%; Banorte: 5.4%; previous: 5.1%
- Workers in the private sector saw wages increase 6.1%, while employees in the public branch got a 3.4% raise
- We highlight the 6.7% increase in the industrial sector, driven by negotiations in manufacturing, likely influenced to the upside at least in part by revisions following strikes in Tamaulipas
- We believe that the minimum wage increase that came into effect on January 1st helps explain part of the relative acceleration, along demands of higher increases after two years of relatively high inflation
- Looking ahead, we expect workers to keep incorporating gradually the impact of the minimum wage increase at the start of the year, a catch-up effect due to high inflation in recent years, and to a lesser extent workers' strikes in several states
- Given the labor situation in Tamaulipas, we highlight the 13.1% salary increase for workers during February

Wages increased 6.0 % in February. This figure was above the 5.1% increase in January and also higher than the 5.5% in the same month of the previous year. This raise was a result of 709 negotiations that benefited 182,893 workers, 68,481 less than in the same month of 2017. Year-to-date, the average increase has been of 5.6% (40bps above the same period of 2018) for a total of 365.137 employees. Taking a look at the monthly breakdown, 176,257 employees in the private sector got an average raise of 6.1%. Moreover, 6,636 workers in the public sector received a 3.4% increase (see table below).

We continue believing that the strong growth is mainly driven by the minimum wage increase of 16% that has been in place since January. Nevertheless, strikes during the month, particularly in the state of Tamaulipas (as described in the next section), also impacted negotiations (+13.1%). To the latter we must add that several employees keep demanding above-average increases after two years of inflation above Banxico's target.

Contractual wage negotiations

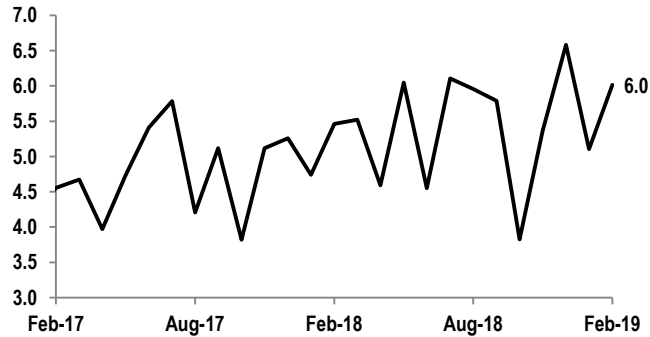
%; number of workers

% nominal	Feb-19	Jan-19	Jan-Feb '19	Jan-Feb '18
Total	6.0	5.1	5.6	5.2
Public	3.4	3.3	3.3	3.6
Private	6.1	5.8	6.0	5.5
Number of workers				
Total	182,893	182,244	365,137	402,975
Public	6,636	49,575	56,211	70,021
Private	176,257	132,669	308,926	332,954

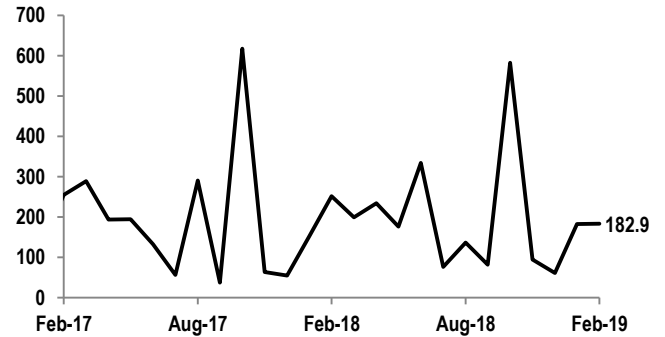
Source: Ministry of Labor

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Contractual wage negotiations
% yoy, nominal



Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industrial sector climbed 6.7%, benefitting 96,858 workers. Taking a look at the breakdown, most workers with a raise were in manufacturing (93,096), receiving an increase in line with the headline. We also note the 6.8% increase for 2,522 employees in mining.

Services sector wages' posted a 5.2% average growth for 84,789 workers. Within the sector, the highest increase was 6.3% for 10,159 thousand workers in commerce. Nevertheless, the subsector with the most workers benefited was transportation with a 5.2% raise to 47,027 employees.

Contractual wage negotiations by sector

	February 2019		Jan-Feb '19		Jan-Feb '18	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	6.7	96,858	6.5	168,589	6.0	152,886
Mining	6.8	2,522	6.8	2,849	6.0	5,842
Manufacturing	6.7	93,096	6.5	162,711	6.0	146,191
Construction	4.8	940	4.9	2,549	5.4	490
Utilities	3.4	300	3.9	480	4.0	363
Services	5.2	84,789	4.8	192,805	4.6	247,326
Commerce	6.3	10,159	6.5	16,437	5.3	42,738
Transport, storage and communications	5.2	47,027	5.2	88,486	4.8	101,191
Financial and real estate services	5.0	16,938	4.7	28,265	5.7	30,220
Other	4.5	10,665	3.7	59,617	3.6	73,177
Agricultural	6.8	1,246	6.0	3,743	9.0	2,763

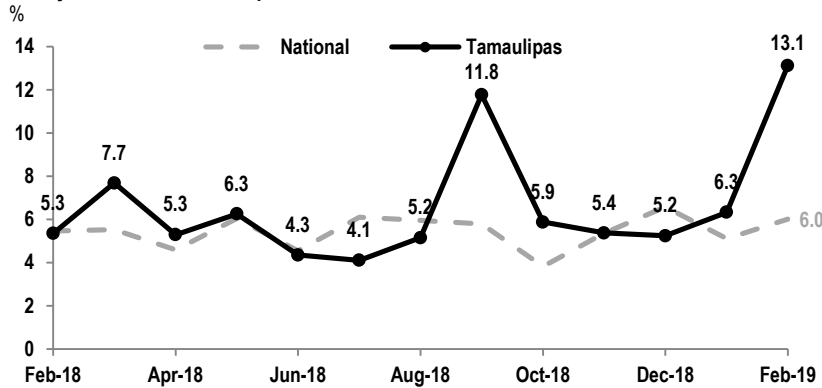
Source: Ministry of Labor

Looking ahead, we continue expecting upward pressures in wages. In our view, the abovementioned factors will keep playing a relevant part in terms of wage negotiations in coming months, taking into account that workers that have not had an adjustment so far continue taking them into account. In this respect, we believe negotiations will remain skewed to the upside given the 16.2% minimum wage increase already described, gradually incorporated as revisions come due. By the same reasoning, we expect a catch-up effect as a result of higher inflation in the last two years to also influence negotiations. Nevertheless this could be partially offset by greater slack at the margin in the labor market, due to the increase in the unemployment rate.

At the state level

Given the labor situation in Tamaulipas, we highlight the 13.1% salary increase for workers during February. Derived from the multiple strikes in various companies in the state, we highlight the average increase of 13.1%, figure not seen since November 2004. During the month, 46 reviews were made to wage contracts that benefitted 4,886 workers (the largest number in the last six months). However, year-to-date, the average increase in the state is 9.9% to a total of 5,394 workers. Within these figures, only negotiations at the federal level are counted, so we do not discard that data at the local level could show a greater number of workers benefitted with a similar increase.

Salary increase in Tamaulipas

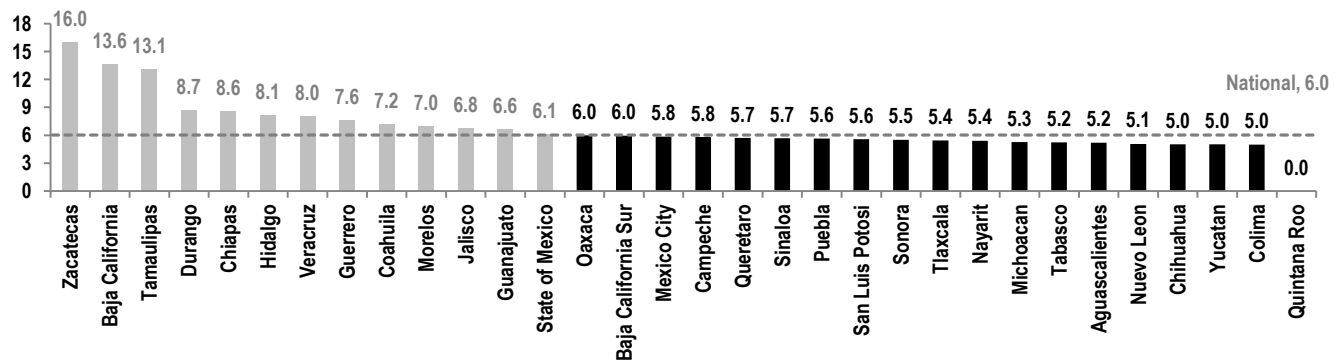


Source: Banorte; STPS

It is worth noting there are 95,958 workers who work in more than one entity which received an average increase of 5.3% during the month. However, these are not considered in the regional analysis. A total 13 of the 32 states in Mexico showed a wage increase above or in line with the 6% national average.

Contractual wage negotiations by federal entity: February 2019

% in nominal terms



Source: Banorte; Ministry of Labor

As we can see in the previous graph, Zacatecas registered the highest average salary increase of the country (+16% nominal terms). This was achieved through only 1 negotiation for a total of 16 workers in the state. Year-to-date, a total of 104 workers in the state saw their salary increase by an average of 9.9%. Moreover, Baja California (13.6%), Tamaulipas (13.1%), Durango (8.7%), and Chiapas (8.6%), had firms that furthered wages for their workers above the national average, as shown in the table on the right.

On the other hand, Coahuila stood out as the entity with the most workers benefitting from revisions (14,449 workers). In this context, wage negotiations in this state increased 7.2% through 11 negotiations. By contrast, Campeche, Oaxaca, Zacatecas, and Colima showed the lowest number of workers with salary benefits in the country. Nevertheless, it is important to mention that Quintana Roo didn't show negotiations during the period.

Higher and lower workers with contractual wage negotiations

Higher and lower contractual wage negotiations

	Year-to-date				Year-to-date				
	Workers	%	Workers	Jan-Feb '19	% oya	Workers	Jan-Feb '19	Workers	
National	86,935	6.0	4.9	153,555	National	6.0	86,935	1,151	153,555
Coahuila	14,449	7.2	6.0	16,294	Zacatecas	16.0	16	4	104
Guanajuato	11,825	6.6	8.0	21,898	Baja California	13.6	985	25	1,396
State of Mexico	9,673	6.1	5.9	22,220	Tamaulipas	13.1	4,886	65	5,394
Mexico City	6,559	5.8	5.3	12,744	Durango	8.7	2,756	9	2,993
Tamaulipas	4,886	13.1	6.0	5,394	Chiapas	8.6	416	19	508
Campeche	62	5.8	4.5	135	Nuevo Leon	5.1	4,245	66	5,196
Oaxaca	55	6.0	4.4	147	Chihuahua	5.0	2,182	24	7,830
Zacatecas	16	16.0	6.2	104	Yucatan	5.0	1,052	15	1,140
Colima	11	5.0	6.4	4,165	Colima	5.0	11	6	4,165
Quintana Roo	--	--	4.8	24	Quintana Roo	--	--	6	24

Source: Banorte; Ministry of Labor

Source: Banorte; Ministry of Labor

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