

Wage negotiations moderate their pace of growth in August

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- **Wage negotiations (Aug): 4.4%; Banorte: 4.6%; previous: 5.9%**
- **Workers in the private sector saw wages increase 6.4%, while employees in the public branch got a more modest raise of 3.4%**
- **We highlight the 5.9% increase in services, led by financial and real estate (6.7%)**
- **Despite today's report, heavily influenced by the negotiation from workers of the Pemex union, we expect that wage revisions will continue to be pressured going forward given the impact of the minimum wage at the beginning of 2019 and high levels of inflation in previous years**
- **Nevertheless, we cannot rule out a slight moderation given the strong decrease in inflation coupled with more slack in the labor market**
- **Tamaulipas stood out as the federal entity with the highest salary increase in the country**

Wages increased an average of 4.4% in August. This was below the 5.9% advance of the previous month. This was a result of 666 negotiations that benefited 246,261 workers. Year-to-date, the average increase has been 5.8% (0.6pp above the same period of 2018), with a total of 1,597,498 employees, which is 1% higher than the previous year.

In line with our expectations, the share of negotiations among public increased was higher. Taking into account the 3.4% advance in this group (161,130 employees), the latter helped skew the total result of 6.4% in the private sector (85,131 employees) to the total of 4.4% (see table below). Nevertheless, given that the relative change in participation is typical for these months, it is not indicative of the trend going forward. Therefore, as private once again leads in workers benefited with an increase, we expect negotiations to continue growing at a pace closer to 6% in the coming months. This would still be largely explained by the 16% increase to the minimum wage that came into force in January.

Contractual wage negotiations

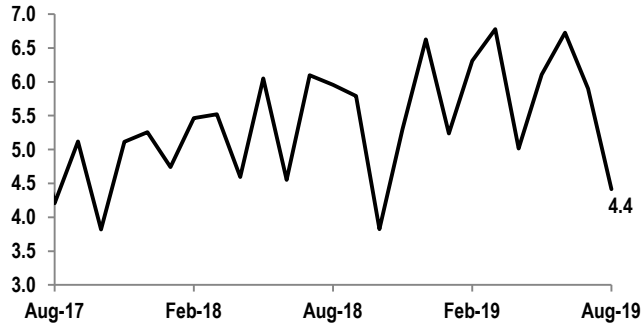
%; number of workers

% nominal	Aug-19	Jul-19	Jan-Aug '19	Jan-Aug '18
Total	4.4	5.9	5.8	5.2
Public	3.4	3.4	3.4	3.5
Private	6.4	6.0	6.4	5.7
Number of workers				
Total	246,261	81,069	1,597,498	1,559,218
Public	161,130	2,279	344,426	343,987
Private	85,131	78,790	1,253,072	1,215,231

Source: Ministry of Labor

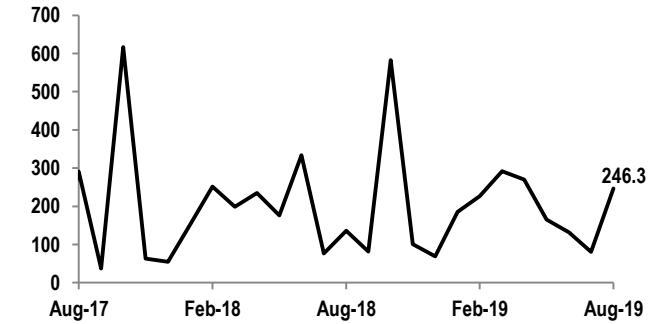
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Contractual wage negotiations
% yoy, nominal



Source: Ministry of Labor

Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industry climbed 4.2%, benefitting 217,429 workers. Taking a look at the breakdown, most workers concentrated in mining (164,202), receiving an increase of 3.5%. This is mostly explained by the negotiation undertaken by workers from the Pemex union, which according to news reports, managed a 3.4% increase in their wages. Moreover, we highlight the continuous 6.6% increase in manufacturing, benefitting 53,076 workers. Last but not least, utilities were up 3.3%, while construction didn't show wage negotiations during the period.

Services sector wages increased 5.9% for 27,787 workers. Again, the strongest pick-up was in financial and real estate services, at 6.7% for 723 workers. Commerce was up by 6.4% (6,387 workers) and transportation 6.2% (15,676 employees).

Contractual wage negotiations by sector

	Aug 2019		Jan-Aug '19		Jan-Aug '18	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	4.2	217,429	5.9	978,469	5.4	897,671
Mining	3.5	164,202	3.9	188,786	3.9	188,104
Manufacturing	6.6	53,076	6.7	690,539	6.1	617,022
Construction	0.0	0	4.8	3,290	5.1	1,602
Utilities	3.3	151	3.4	95,854	3.4	90,943
Services	5.9	27,787	5.6	610,284	5.0	654,393
Commerce	6.4	6,387	6.3	115,312	5.4	125,497
Transport, storage and communications	6.2	15,676	5.3	262,531	4.9	270,378
Financial and real estate services	6.7	723	6.3	95,722	5.4	101,350
Other	4.5	5,001	4.9	136,719	4.5	157,168
Agricultural	5.0	1,045	8.0	8,745	7.3	7,154

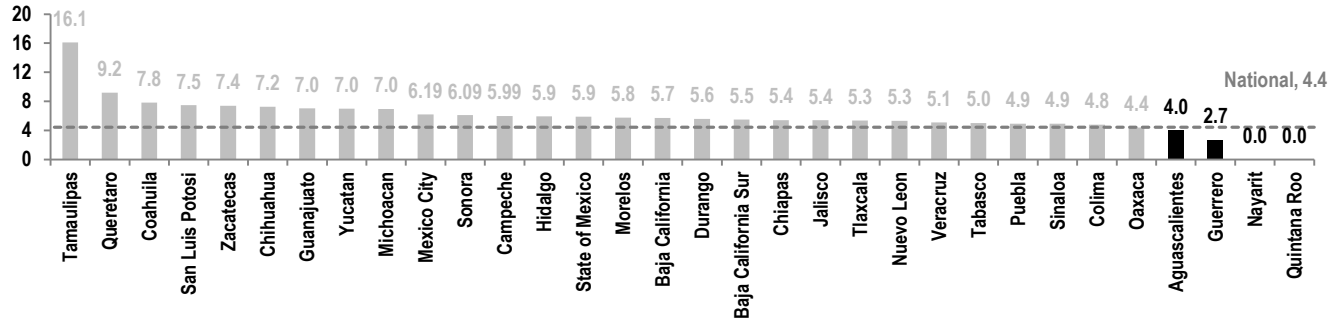
Source: Ministry of Labor

Looking forward, we believe that wage negotiations will remain under pressure. As mentioned earlier, we believe that the negotiations will continue to be pressured given the impact of the minimum wage, as well as the high levels of inflation over the past two years. However, we did not discard a moderation in 4Q19 given the significant reduction in inflation and the deceleration of economic activity, which has started to translate into higher slack conditions in the labor market.

At the state level

Tamaulipas stood out as the federal entity with the highest average salary increase in the country. It is worth noting there are 187,137 workers who work in more than one entity which received an average increase of 3.7% during the month. These are not considered in the regional analysis. Twenty-eighth of the 32 states in Mexico showed a wage hike above or in line with the national weighted average of 4.4%.

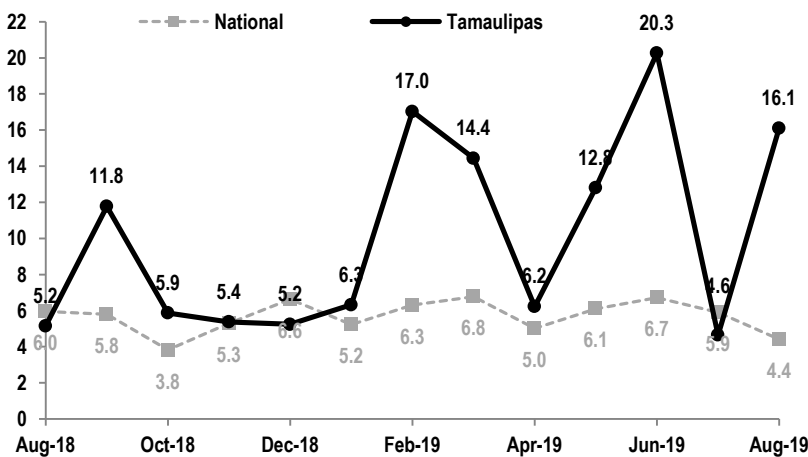
Contractual wage negotiations by federal entity: August 2019
% in nominal terms



Source: Banorte; Ministry of Labor

In this context, Tamaulipas showed the highest average increase of the country (+16.1% nominal terms), as seen in the chart above. This is the highest advance in the state since December 1999, achieved through only 11 negotiations for a total of 3,446 workers. On a year-to-date basis, a total of 25,834 workers saw their salary grow by an average of 16.9%. Moreover, Queretaro (9.2%), Coahuila (7.8%), San Luis Potosi (7.5%), and Zacatecas (7.4%) are some of the states that also had firms that also furthered wages for their workers above the national average, as shown in the table on the right.

Salary increase in Tamaulipas
%



Source: Banorte; Ministry of Labor

The State of Mexico was the entity with most workers benefitting from revisions in August. A total of 9,589 workers improved their salary perception with a 5.9% advance in nominal terms through 76 negotiations (see table below, left). In the first eight months of the year 101,875 workers have been benefited with an average salary increase of 5.8% in nominal terms

On the other hand, no negotiations took place during the period in Nayarit and Quintana Roo. Additionally, Guerrero showed the lowest number of workers with wage negotiation during the period, amounting to only six.

Workers with the highest and lowest contractual wage negotiations
Highest and lowest number of contractual wage negotiations

Year-to-date					Year-to-date				
	Workers	%	Workers	Jan-Aug '19		% oya	Workers	Jan-Aug '19	Workers
National	59,124	4.4	4.9	712,068	National	4.4	59,124	4,504	712,068
State of Mexico	9,589	5.9	5.8	101,875	Tamaulipas	16.1	3,446	244	25,834
Puebla	9,092	4.9	5.6	30,610	Queretaro	9.2	484	90	14,628
Guanajuato	7,141	7.0	8.0	98,582	Coahuila	7.8	2,502	133	68,692
Nuevo Leon	5,217	5.3	5.6	41,811	San Luis Potosi	7.5	3,365	89	28,016
Jalisco	3,502	5.4	6.0	35,394	Zacatecas	7.4	871	29	13,433
Campeche	62	6.0	4.5	603	Oaxaca	4.4	230	52	3,019
Baja California Sur	50	5.5	5.6	2,238	Aguascalientes	4.0	80	70	19,734
Guerrero	6	2.7	5.9	2,384	Guerrero	2.7	6	25	2,384
Nayarit	--	--	4.9	672	Nayarit	--	--	16	672
Quintana Roo	--	--	4.8	1,938	Quintana Roo	--	--	17	1,938

Source: Banorte; Ministry of Labor

Source: Banorte; Ministry of Labor

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