

Wage negotiations – 5.3% increase in November, in line with the YTD figure

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- **The Ministry of Labor just published contractual wage negotiations for November**
- **Wage negotiations (November) 5.3%; Banorte: 5.5%; previous: 3.8%**
- **Wages in the private sector increased 5.4%, benefiting the majority of workers, while in the public sector they grew only 4.2%**
- **We highlight the 5.5% growth in the industrial sector, particularly in manufacturing**
- **Year-to-date, wages have increased 4.9% on average, while in the private and public sector they grew 5.7% and 3.4%, respectively**
- **Looking ahead, we continue to expect upward pressures in wage negotiations, particularly given the next minimum wage revision**
- **For the fourth consecutive month, the State of Mexico stands out as the federal entity with the highest number of workers with a wage increase**

Wages increased 5.3% in November. This figure stood marginally below our 5.5% forecast but considerably above the 3.8% seen in the previous month. It is worth noting that growth in wages returned to a more normal level in November given that October’s figures were influenced by a greater number of increases in the public sector. In particular, this was due to the negotiations of the “*National Union of Social Security Workers*”. Given that there was no such negotiation this month, once again workers in the private sector were the ones with the most revisions. In this regard, out of the 80,146 employees with an increase, 72,121 belonged to the private sector and only 8,025 to the public branch (as shown in the table below).

Year-to-date, 2.3 million workers have benefited by an average increase of 4.9%, greater than the 4.4% seen in the same period of 2017. Moreover, 47.5 thousand more workers have received a wage increase in comparison to last year.

Contractual wage negotiations
%; number of workers

%	Nov-18	Oct-18	Jan-Nov, 18	Jan-Nov, 17
Total	5.3	3.8	4.9	4.4
Public	4.2	3.4	3.4	3.1
Private	5.4	5.5	5.7	5.1

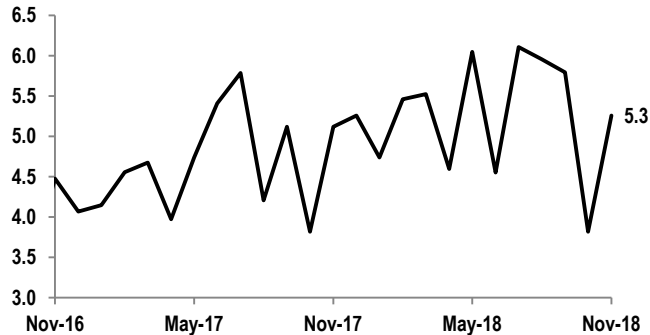
Number of workers

Total	80,146	581,529	2,302,387	2,254,855
Public	8,025	458,625	813,296	804,145
Private	72,121	122,904	1,489,091	1,450,710

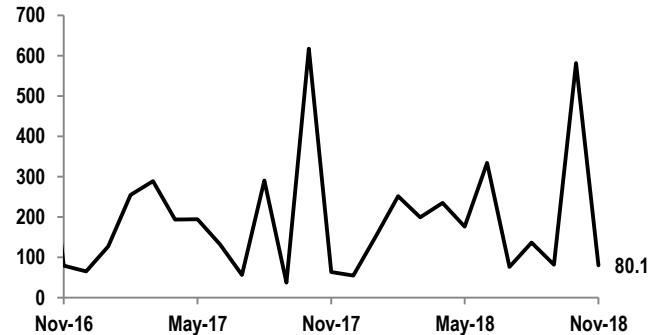
Source: Ministry of Labor

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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 5.5%, benefitting 39.9 thousand workers. Taking a look at the breakdown, we highlight the average raise of 5.5% to 37,521 workers in manufacturing. Moreover, it is worth noting the growth seen in mining, amounting to 6.4%, benefitting only 2,272 employees.

Services sector wages' posted a 3.5% average growth for 40.1 thousand workers. Within the sector, wage negotiations in commerce rose 5.7%, benefitting 7,299 employees. Moreover, both the transport, storage and communications as well as financial and real estate sectors increased wages by 5.1%. In the first, the number of workers with a raise amounted to 13,695, while in the second they were 12,321.

Contractual wage negotiations by sector

	November 2018		Jan-Nov, 18		Jan-Nov, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	5.5	39,925	5.4	1,078,084	4.8	1,079,360
Mining	6.4	2,272	3.9	194,678	3.6	198,592
Manufacturing	5.5	37,521	6.0	789,901	5.3	783,119
Construction	5.3	10	5.1	1,665	4.3	2,955
Utilities	3.7	122	3.4	91,840	3.2	94,694
Services	5.0	40,135	4.4	1,215,682	3.9	1,167,674
Commerce	5.7	7,299	5.5	142,777	4.9	131,850
Transport, storage and communications	5.1	13,695	5.0	313,958	4.5	299,965
Financial and real estate services	5.1	12,321	5.5	123,572	4.2	106,256
Other	3.7	6,820	3.7	635,375	3.4	629,603
Agricultural	4.5	86	7.0	8,621	5.1	7,821

Source: Ministry of Labor

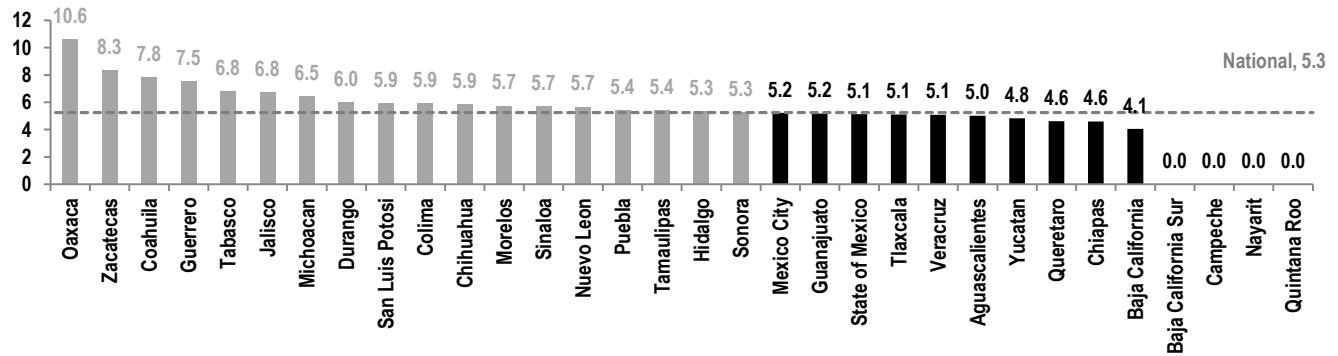
Looking ahead, we continue to expect upward pressures in wage negotiations. We consider that the impact of the increase in the minimum wage enacted on December 1, 2017, as well as the high levels of inflation seen last year, and in the first half of 2018, will continue to weigh on wage negotiations in the final months of the year. In addition, we will be paying close attention to the minimum wage revision for 2019, which is due in coming weeks. We expect it to result in a similar or marginally higher magnitude than in the last two years, which was around 10%, and could result in pressures for 2019's wages similar to those seen in these last couple of years.

At a state level

For the fourth consecutive month, the State of Mexico stands out as the federal entity with the highest number of workers with a wage increase. It is worth noting there are 40,186 workers who work in more than one entity which received an average increase of 4.9% during the month. However, these figures are not considered in the regional analysis. In the eleventh month of 2018, 18 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.3% national average. For the fourth consecutive month, the State of Mexico stands out as the entity with the most workers benefitting from wage revisions (9,128 workers). In this context, wage negotiations in this state increased 5.1%, through 64 negotiations. By contrast Aguascalientes showed the lowest number of workers with salary benefits in the country. Additionally, for Baja California Sur, Campeche, Nayarit, and Quintana Roo no negotiations took place during the month.

Contractual wage negotiations by federal entity: November 2018

% in nominal terms



Source: Banorte; Ministry of Labor

Moreover, Oaxaca was the entity with the highest wage increase in the month (+10.6%). It is important to highlight that this raise benefited only 161 workers. Year-to-date, 2,733 workers in the state have seen their salary increase by an average of 4.5%. On the other hand, Zacatecas (8.3%), Coahuila (7.8%), Guerrero (7.5%), and Tabasco (6.8%), 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			
	Workers	%	Workers	Jan-Nov '18	% oya	Workers	Jan-Nov '18	Workers
National	39,960	5.3	4.9	772,706	5.3	39,960	5,743	772,706
State of Mexico	9,128	5.1	5.9	131,311	Oaxaca	10.6	161	78
Mexico City	5,679	5.2	5.4	65,704	Zacatecas	8.3	33	42
San Luis Potosi	5,228	5.9	8.0	30,266	Coahuila	7.8	1,778	144
Guanajuato	2,126	5.2	7.5	94,116	Guerrero	7.5	1,406	47
Jalisco	1,948	6.8	6.0	34,248	Tabasco	6.8	86	46
Aguascalientes	26	5.0	5.6	25,147	Baja California	4.1	1,517	112
Baja California Sur	--	--	5.6	4,421	Baja California Sur	--	--	28
Campeche	--	--	4.7	1,507	Campeche	--	--	27
Nayarit	--	--	5.2	651	Nayarit	--	--	15
Quintana Roo	--	--	4.8	3,030	Quintana Roo	--	--	35

Source: Banorte; Ministry of Labor

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