

Wage negotiations – Real wages on the rise

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- Wage negotiations (April): 4.1%; Banorte-Ixe: 4.4%; previous: 4.4%
- Wages in the private sector increased 4.6%, while in the public sector workers negotiated on average a 3.4% raise
- Year-to-date negotiations show the recovery in real wages

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Wage negotiations in April came in at 4.1% in nominal terms (Banorte-Ixe: 4.4%). The negotiations in April were slightly below the 4.3% average observed year-to-date. We highlight that April's figure was derived from a 4.6% increase in private sector wages coupled with an increase of 3.4% in the public sector. We believe that wage negotiations' figure for the same period was mainly driven by the bargaining processes in public education (*i.e. Sonora's University*). Moreover, most of the negotiations were conducted in the private sector (642 of the 644 negotiations that took place), with the bulk of workers also belonging to this sector (131,314 of the 223,195 workers), as shown in the following table.

Contractual wage negotiations

% oya

Nominal	Apr-15	Mar-15	Jan-Apr, 15	Jan-Apr, 14
Total	4.1	4.4	4.3	4.2
Public	3.4	3.6	3.4	3.8
Private	4.6	4.4	4.5	4.3
In Real Terms				
Total	1.0	1.2	1.2	0.2
Public	0.3	0.4	0.3	-0.2
Private	1.5	1.2	1.4	0.3
Number of workers, thousands				
Total	223	204	832	850
Public	92	2.1	158	164
Private	131	202	674	685

Source: Banorte-Ixe; Ministry of Labor

Negotiations in the industrial sector were slightly below the observed in April 2014 (4.4% vs. 4.6%). In the mining sector, wage increases were in the area of 5.2%, below the ones negotiated in April 2014 (6.3%). In the manufacturing sector, wages increased 4.8%, slightly above the 4.6% observed in the same period of 2014. Finally, in the construction sector, wage increases were at 3.9%, below the 4.3% average observed year-to-date for this sector.

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Bargaining processes in the services sector resulted marginally below the ones obtained in April 2014 (3.9% vs. 4.0%). In the retail sector, wage increases were up 3.4% vs. the 3.9% observed in the same month of 2014. In the financial services sector, wages improved 4.4%, below the 4.5% in April 2014. Moreover, workers in “*other services*” sector, negotiated wages by 3.9%, in line the ones obtained in Apr’14. Similarly, in transportation, storage and communications sector, wage increases were at 4.5% vs. 4.1% last year.

Finally in the agricultural sector, the wage negotiations stood at 5.1% yoy. We highlight that this figure was above the 4.3% obtained in April 2014, and was also above the average observed year-to-date, which is in the area of 4%, as shown in the following table.

Contractual wage negotiations in April 2015

	% oya	Workers	Year-to-date		2014
			% oya	Workers	
Total	4.1	223,195	4.3	831,506	4.1
Public	3.4	91,881	3.4	157,933	3.6
Private	4.6	131,314	4.5	673,573	4.4
Breakdown by sector					
Industrial	4.4	165,716	4.7	462,792	--
Mining	5.2	1,970	5.5	9,338	4.2
Manufacturing	4.8	71,852	4.6	360,331	4.5
Construction	3.9	72	4.3	1,069	4.5
Utilities	3.4	91,822	3.4	92,054	3.5
Services	3.9	57,437	4.0	364,673	--
Commerce	3.4	4,760	4.4	76,359	4.2
Transport, storage and communications	4.5	13,481	4.1	52,151	3.9
Financial services	4.4	1,204	4.8	44,731	4.6
Other	3.9	37,992	4.1	191,432	4.6
Agricultural	5.1	42	4.0	4,041	4.3

Source: Banorte-ixe; Ministry of Labor

Year-to-date negotiations show the recovery in real wages. April’s wages –in real terms- posted a 1.0% increase, its highest level since April 2012. Year-to-date, in real terms wage negotiations had a 1.19% positive increase. However, we continue to believe that the increases in contractual wages in the past months respond mostly to a recovery period of lost productivity, and do not imply that the firms perceive greater inflationary pressures, given that inflation stands in the area of 3%. 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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