

Wage negotiations – December’s 4.5% wage increase explained by the manufacturing sector

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- **Wage negotiations (December): 4.5%; Banorte-Ixe: 4.6%; previous: 4%**
- **Wages in the private sector increased 4.5%, while in the public sector workers negotiated on average a 4.7% raise in December**
- **In our opinion, the increase in real wages during 2015 strengthens our view of a higher growth in private consumption**
- **Tabasco stands out as the entity with the highest wage increase**

Saúl Torres
Analyst, Mexico
saul.torres@banorte.com

Regional and Sectorial

Miguel Calvo
Economist, Regional and Sectorial
miguel.calvo@banorte.com

Wage negotiations in December came in at 4.5% in nominal terms, marginally below with our 4.6% forecast. The negotiations in December were above with the 4.1% average observed in 2015. We highlight that December’s figure was derived from a 4.5% increase in private sector wages, coupled with a 4.7% increase in the public sector. Moreover, most of the negotiations were conducted in the private sector (705 of the 708 negotiations that took place), and the bulk of workers also belong to this sector (28,279 of the 28,880 workers), as shown in the following table, and particularly inside the manufacturing sector.

Contractual wage negotiations

Nominal	Dec-15	Nov-15	2015	2014
Total	4.5	4.0	4.1	4.1
Public	4.7	3.3	3.5	3.6
Private	4.5	4.0	4.5	4.4
In Real Terms				
Total	2.3	1.8	1.3	0.0
Public	2.5	1.0	0.9	-0.5
Private	2.3	1.8	1.6	0.4
Number of workers, thousands				
Total	29	75	2,220	2,198
Public	0.6	3.7	822	851
Private	28	71	1,398	1,347

Source: Banorte-Ixe; Ministry of Labor

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The 4.5% increase in wages within the industrial sector was below the 4.8% observed in December 2014. However, in the manufacturing sector wages increased 4.5%, benefiting more than 10,744 workers, and this sector partially explains December's wages figure, and –according to our monthly wages monitoring- we highlight salary revisions made by the union workers in the automotive sector, such as *Audi*'s union of workers, benefiting its workers with a 5.8% increase, and in the food processing company *Avomex* (3.5%). Moreover, in the mining sector, wage increases were in the area of 4.6%, below the ones negotiated in December 2014 (5.3%). Finally, in the construction sector, there were no negotiations.

Bargaining processes in the services sector resulted slightly above the ones obtained in December 2014 (4.1% vs. 3.9%). We highlight that December's wage negotiation figure in this sector, was mainly driven by transport and communications, benefiting more than 6,443 workers with a 3.9% salary increase. Similarly, workers in the retail sector negotiated wages by 3.9%, slightly below the 3.8% observed in December 2014. In the financial sector, wages improved 6.2%, significantly above the 4% in Dec'2014. Finally in temporary housing services, wage increases were up 3% vs. the 3.5% observed in the same month of 2014.

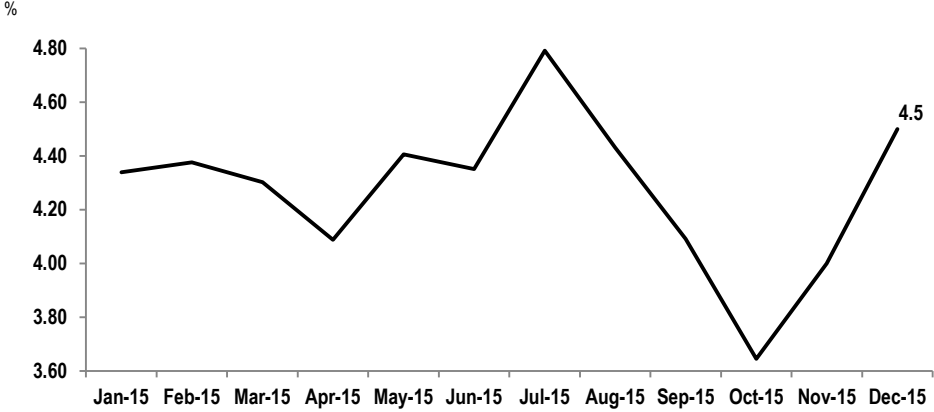
Finally in the agricultural sector, no negotiations were conducted. We highlight that the 4.6% average figure in 2015 was below than the 5.6% observed in 2014, as shown in the following table.

Contractual wage negotiations in December 2015

	Year-to-date				
	%	Workers	%	Workers	2014
Total	4.5	28,880	4.1	2,219,804	4.1
Public	4.7	601	3.5	822,006	3.6
Private	4.5	28,279	4.5	1,397,798	4.4
Breakdown by sector					
Industrial	4.5	11,124	--	1,069,298	--
Mining	4.6	380	4.2	216,279	4.2
Manufacturing	4.5	10,744	4.6	754,737	4.5
Construction	--	--	4.3	2,304	4.5
Utilities	--	--	3.4	95,978	3.5
Services	4.1	17,756	--	1,142,269	--
Commerce	3.9	4,443	4.4	133,986	4.3
Transport, storage and communications	3.9	6,443	4.0	142,002	3.9
Financial services	6.2	1,705	4.6	112,163	4.6
Other	3.9	5,165	4.6	754,118	4.6
Agricultural	--	--	4.1	8,237	4.3

Source: Banorte-ixe; Ministry of Labor

Wage negotiations in 2015



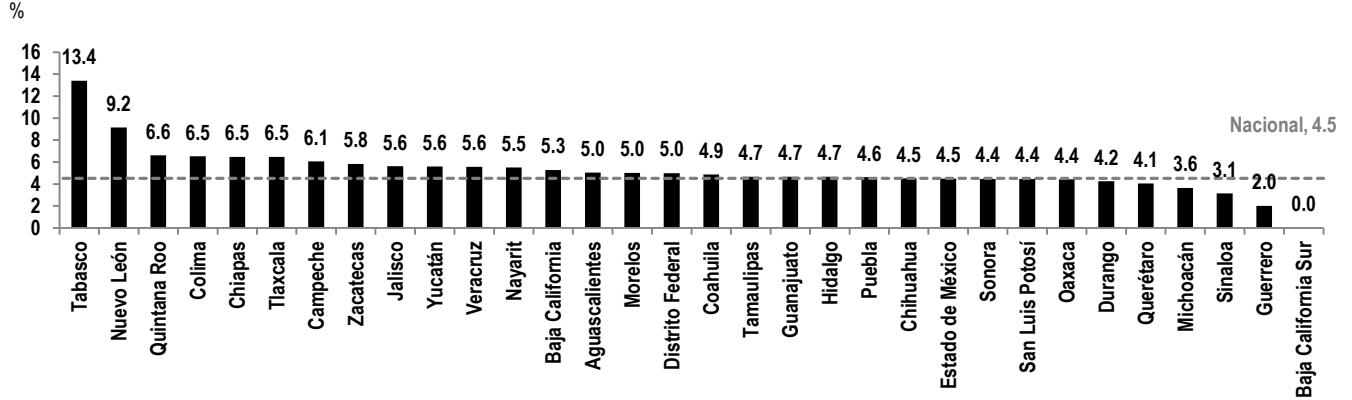
Source: Banorte-Ixe; Ministry of Labor

In our opinion, the increase in real wages in 2015 strengthens our view of a higher growth in private consumption. We continue to believe that increases in contractual wages do not imply that firms perceive greater inflationary pressures, and are simply explained by the low historical inflation levels. Moreover, inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.32%. This leads to an expected increase in real wages.

From our regional economy team

Tabasco stands out as the entity with the highest wage increase In December, 21 of the 32 states in Mexico showed an increase in their wage negotiations above the 4.5% average, as shown in table below.

Contractual wage negotiations by federal entity: December 2015



Source: Banorte-Ixe; STPS

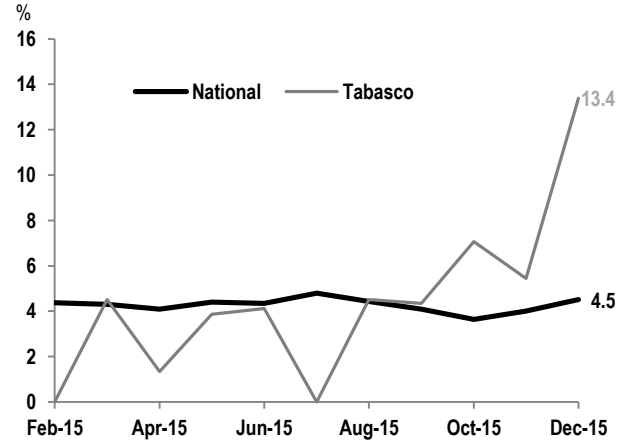
Tabasco stands out as the entity with the highest wage increase. Wage negotiations for workers grew 13.4%. Further down, the states of Nuevo León (9.2%), Quintana Roo (6.6%), Colima, Chiapas and Tlaxcala (6.5%), also had firms that increased wages for their workers well above the national average. Moreover, the entity that failed to increase wages for its workers was Baja California (0%). In this regard, we highlight that year-over-year Baja California favored wages for their workers achieving the first position showing an advance of 5.3%. In line with the national average are Chihuahua and Estado de México as shown in the lower left table.

Higher and lower contractual wage negotiations

	% oya	Workers	Year-to-date	
			Jan-Dec, '15	Workers
Mexico	4.5	28,880	4.3	2,219,804
Tabasco	13.4	80	5.2	3,361
Nuevo León	9.2	464	4.8	35,877
Quintana Roo	6.6	24	4.6	3,028
Colima	6.5	12	4.9	7,105
Chiapas	6.5	52	4.7	8,438
Baja California Sur	--	--	5.3	3,661
Guerrero	2.0	63	4.4	4,510
Sinaloa	3.1	782	3.8	6,921
Michoacán	3.6	888	4.5	17,002
Querétaro	4.1	389	4.7	20,045

Source: Banorte-Ixe; STPS

Wage negotiations: Tabasco



Source: Banorte-Ixe; STPS

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454