

Wage negotiations – Lower than expected increases in December

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- The Ministry of Labor just published the contractual wage negotiation figures for December
- Wage negotiations (December) 3.9% y/y; Banorte-Ixe: 4.9% y/y; previous: 4.5% y/y
- Salaries in the private sector rose 3.9% y/y, although in the public sector they only increased 3.2% y/y
- The average wage increase during 2016 was 4%, and it benefitted 2.2 million workers
- We expect higher increases in salaries after the rise in the minimum wage
- Mexico City stands out as the federal entity with the highest number of workers with wage negotiations

Wages increased 3.9% y/y in December. Today, the Ministry of Labor published the figures for contractual wage negotiations. During December, 56,631 workers negotiated an average increase of 3.9% (Banorte-Ixe: 4.9%). This increase was below 2016's average of 4%. In the private sector, wage increases averaged 3.9% for 55,273 workers, while 1,358 employees in the public sector only received an average increase of 3.2%.

During 2016, 7,862 wage negotiations took place, averaging an increase of 4%, benefitting 2,236,751 workers, of which 37.1% belonged to the public sector while the remaining 62.9% worked in the private sector. Despite the lower average increase compared to 2015 (4.1%), this year more workers were benefitted by the rise in wages, as seen in the table below.

Contractual Wage Negotiations

Nominal, %yoy	Dec-16	Nov-16	Jan-Dec, 16	Jan-Dec, 15
Total	3.9	4.5	4.0	4.1
Public	3.2	3.8	3.1	3.5
Private	3.9	4.5	4.5	4.5
In Real Terms, %yoy				
Total	0.5	1.1	1.1	1.3
Public	-0.2	0.5	0.2	0.9
Private	0.5	1.2	1.7	1.6
Number of workers				
Total	56,631	71,731	2,236,751	2,229,548
Public	1,358	5,413	829,302	822,002
Private	55,273	66,318	1,407,449	1,407,546
Year-to-date's share of workers				
Total	2.5	3.2		
Public	0.2	0.7		
Private	3.9	4.7		

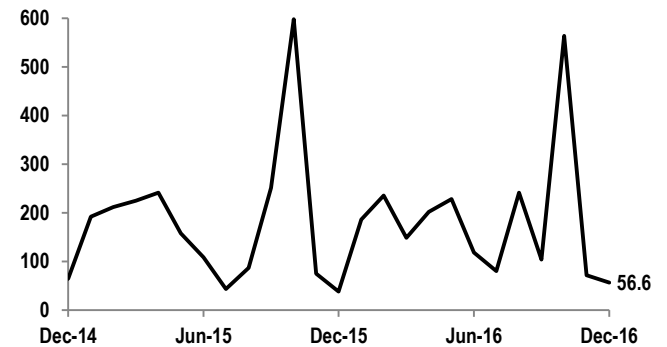
Source: Banorte-Ixe; Ministry of Labor

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Contractual wage negotiations
% yoy, nominal



Workers receiving a wage increase
thousands



Source: Ministry of Labor, Banorte-Ixe

3.7% increase in the industrial sector. Within the sector, we highlight the average increase of 4.2% to 12,761 workers of the manufacturing sub-sector, while in the mining sub-category 860 employees received an average increase of 5%. Moreover, we highlight the lack of revisions in the construction sub-sector.

Services sector takes the lead on workers benefitted. Taking a look at the breakdown, the “*other services*” sub-sector posted the highest increase (+4.5%), as well as the most workers benefitted (21,122), this due to the 4% increase to 16,833 within the tourism and entertainment services.

Negotiations in the agricultural sector spike. After no increases registered in November, 740 workers were benefitted in December receiving an average increase of 5%.

Contractual wage negotiations by sector

	December 2016		Jan-Dec, 16		Jan-Dec, 15	
Industrial	4.3	13,682	4.2	1,039,988	4.4	1,075,367
Mining	5.0	860	3.4	187,009	4.2	216,558
Manufacturing	4.2	12,761	4.6	755,635	4.6	760,501
Construction	–	–	4.3	1,746	4.3	2,304
Utilities	4.1	61	3.2	95,598	3.4	96,004
Services	3.7	42,209	3.8	1,188,073	3.8	1,145,944
Commerce	3.9	6,847	5.8	124,097	4.4	133,994
Transport, storage and communications	2.2	11,636	3.9	319,089	4.0	283,650
Financial and real estate services	4.1	2,604	4.2	121,034	4.6	114,103
Other	4.5	21,122	3.2	623,853	3.5	614,197
Agricultural	5.0	740	5.0	8,690	4.4	8,237

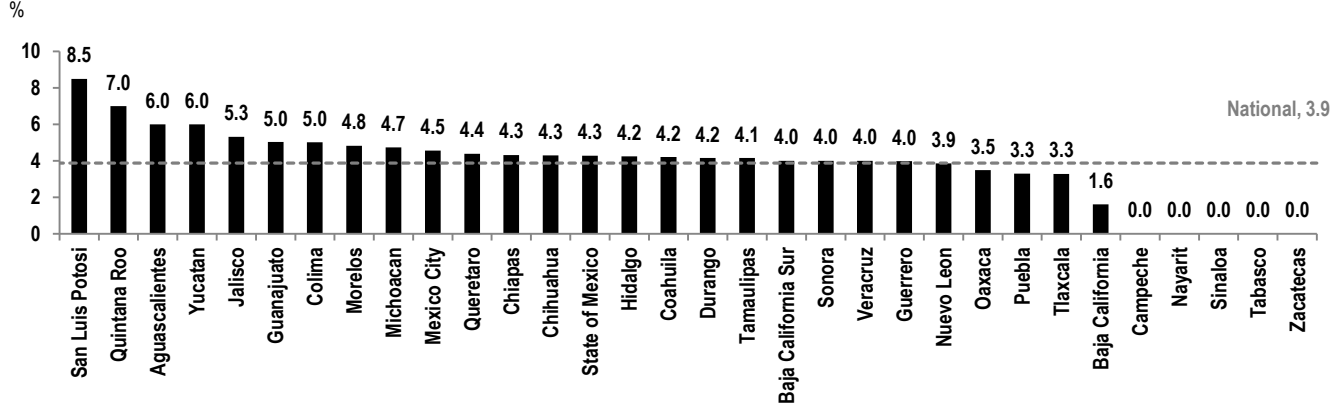
Source: Ministry of Labor

We expect higher increases in salaries after the rise in the minimum wage. We consider that the 9.8% increase in the minimum wage will have an impact, albeit in a reduced manner, on the salary increase dynamic in the coming months.

From our regional economist

Mexico City stands out as the federal entity with the highest number of workers with wage negotiations. In December, 22 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 3.9% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: December 2016



Source: Banorte-Ixe; Ministry of Labor

Mexico City stands out as the federal entity with the highest number of workers that benefited from wage revisions during December (2,630 workers). In this regard, wage negotiations in this federal entity increased 4.5% as shown in the following table. In addition, workers in the states of Campeche, Nayarit, Sinaloa, Tabasco, and Zacatecas didn't have wage negotiations.

Moreover, San Luis Potosi stands out as the entity with the highest wage increase (+8.5%). However, it only benefited 131 workers. Year-to-date, wage negotiations in this federal entity have increased 4.8%. Further down, the states of Quintana Roo (7%), Aguascalientes and Yucatan (6%), and Jalisco (5.3%) also had firms that increased wages for their workers well above the national average.

Higher and lower workers with contractual wage negotiations

	Year-to-date			Higher and lower contractual wage negotiations					
	Workers	%	Jan-Dec, '16	Workers	% oya	Workers	Jan-Dec, '16	Workers	
National	56,631	3.9	4.0	2,236,751	3.9	56,631	7,862	2,236,751	
Mexico City	2,630	4.5	4.5	68,812	San Luis Potosi	8.5	131	102	25,710
State of Mexico	2,389	4.3	4.8	119,740	Quintana Roo	7.0	30	26	2,744
Michoacan	1,574	4.7	4.8	20,492	Aguascalientes	6.0	300	69	24,391
Jalisco	1,135	5.3	4.6	38,626	Yucatan	6.0	17	44	4,071
Puebla	1,063	3.3	4.8	32,668	Jalisco	5.3	1,135	296	38,626
Campeche	--	--	5.0	1,854	Campeche	--	--	25	1,854
Nayarit	--	--	8.4	762	Nayarit	--	--	16	762
Sinaloa	--	--	4.4	6,827	Sinaloa	--	--	78	6,827
Tabasco	--	--	4.1	3,197	Tabasco	--	--	30	3,197
Zacatecas	--	--	5.4	12,014	Zacatecas	--	--	32	12,014

Source: Banorte-Ixe; Ministry of Labor

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