

Wage negotiations – Salaries increase 5.1% in September

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- The Ministry of Labor just published the contractual wage negotiation figures for September
- Wage negotiations (September) 5.1%; Banorte-Ixe: 4.6%; previous: 4.2%
- Salaries in the private sector rose 5.3%, although in the public sector they only increased 1.2%
- We highlight the 5.4% increase in the industrial sector, particularly in the manufacturing sub-sector
- Looking ahead, we expect marginally lower increases in salaries after the rise in the minimum wage and the pickup in inflation
- Guanajuato stands out as the federal entity with the highest number of workers with wage increases

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Wages increased 5.1% in September. Today, the Ministry of Labor published the figures for contractual wage negotiations. During September, 36.3 thousand workers negotiated an average increase of 5.1% yoy (Banorte-Ixe: 4.6%). So far this year, the average for wages negotiated reached 4.6% yoy, above the 4.2% seen during the same period in 2016. We also highlight that 1.6 million workers have benefitted from an increase in the past 9 months, 17.8 thousand more than in the same period for 2016.

The higher average of wage increases was mainly explained by the number of workers in the private sector. On average, 35,005 employees got a 5.3% rise. However, in the public sector, the wages only climbed 1.2%, benefitting 1,262 staff members.

Contractual wage negotiations

Nominal, %yoy	Sep-17	Aug-17	Jan-Sep, 17	Jan-Sep, 16
Total	5.1	4.2	4.6	4.2
Public	1.2	3.1	3.1	3.2
Private	5.3	5.5	5.0	4.5

Number of workers

Total	36,267	285,308	1,567,477	1,549,639
Public	1,262	158,242	344,240	372,077
Private	35,005	127,066	1,223,237	1,177,562

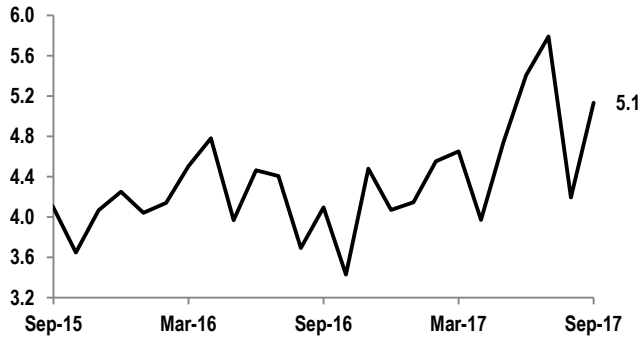
Year-to-date's share of workers

Total	2.3	18.2
Public	0.4	46.0
Private	2.9	10.4

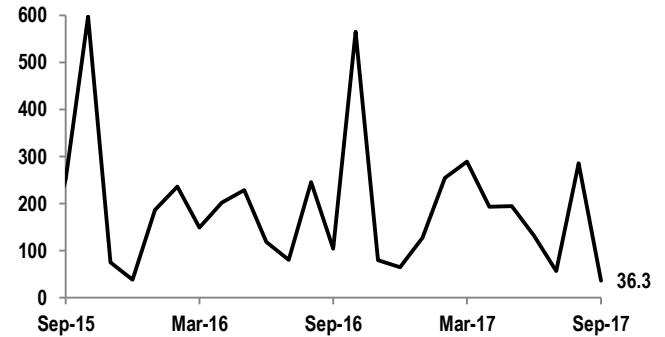
Source: Ministry of Labor

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Contractual wage negotiations
% yoy, nominal



Workers receiving a wage increase
thousands



Source: Ministry of Labor, Banorte-ixe

Wages in the industrial sector increased 5.4%, benefitting the most workers out of any sector. Taking a look at the breakdown, we highlight the average increase of 5.3% to 20,551 workers of the manufacturing sub-sector. Moreover, the highest increase was seen in the construction sector, amounting to 6.6%. However, it only benefited 41 employees,

Services sector posted a 4.8% average increase. Within the sector, wage negotiations in the transportation, storage and communications sub-sector benefitted the most workers (7,641 employees) and posted the highest average increase reaching 4.9%. Moreover, the financial and real estate sub-sector posted an average increase amounting to 4.4%, favoring 2,193 employees.

Contractual wage negotiations by sector

	September 2017		Jan-Sep, 17		Jan-Sep, 16	
Breakdown by sector						
Industrial	5.4	22,387	4.7	911,176	4.1	910,729
Mining	6.0	1,662	3.6	191,551	3.4	178,405
Manufacturing	5.3	20,551	5.3	623,590	4.5	635,634
Construction	6.6	41	4.3	2,895	4.3	1,709
Utilities	4.1	133	3.1	93,140	3.2	94,981
Services	4.8	13,518	4.3	648,881	4.2	631,208
Commerce	4.6	1,039	4.5	116,450	6.0	109,907
Transportation, storage and communications	4.9	7,641	4.4	278,781	4.0	274,238
Financial and real estate services	4.4	2,193	4.2	99,036	4.0	105,910
Other	4.8	2,645	4.2	154,614	3.6	141,153
Agricultural	3.8	362	5.0	7,420	4.7	7,702

Source: Ministry of Labor

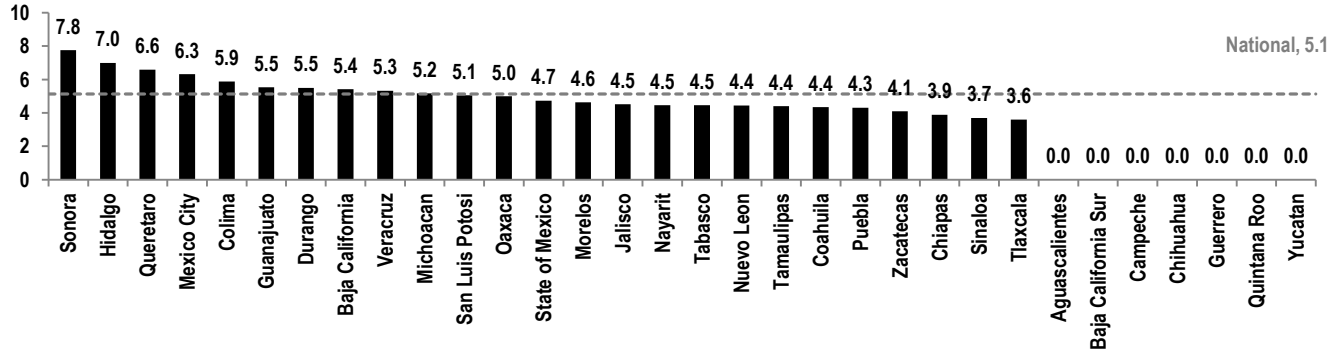
We forecast marginally lower increases in salaries in the coming month. We consider that the impact of the increase in the minimum wage, as well as higher inflation will continue to weigh on negotiations in the coming months. However, starting next year we expect them to moderate due to the convergence of inflation expectations towards Banxico’s target.

At the regional level

Guanajuato stands out as the federal entity with the highest number of workers with wage increases. In September, 10 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.2% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: September 2017

% in nominal terms



Source: Banorte-Ixe; Ministry of Labor

Guanajuato stands out as the entity with the highest number of workers that benefited from wage revisions during September (5,138 workers). In this context, wage negotiations in this federal entity increased 5.5%, the highest advance of the last 3 months within the entity, as shown in the following table. Year-to-date, 79,699 workers benefited their salary by an average of 5.5%. However, in Aguascalientes, Baja California Sur, Campeche, Chihuahua, Guerrero, Quintana Roo, and Yucatan no wage negotiations were held in September. Moreover, Sonora stands out as the entity with the highest wage increase in the month (+7.8%), the highest salary increase observed since November 2012, benefiting 1,040 workers. Year-to-date, 20,831 workers in the state have seen their salary increase by an average of 5.2%, as shown in the right table. Further down, the states of Hidalgo (7.8%), Queretaro (6.6%), Mexico City (6.3%), and Colima (5.9%), also had firms that increased wages for their workers well above the national average, as shown in the right table.

Higher and lower workers with contractual wage negotiations

	Year-to-date				Higher and lower contractual wage negotiations				
	Workers	%	Workers	Jan-Sep, '17	% oya	Workers	Jan-Aug, '17	Workers	Year-to-date
National	36,267	5.1	4.6	1,567,477	National	5.1	36,267	6,978	1,567,477
Guanajuato	5,138	5.5	5.5	79,699	Sonora	7.8	1,040	109	20,831
Michoacan	4,683	5.2	5.2	13,717	Hidalgo	7.0	65	134	10,430
State of Mexico	2,308	4.7	4.9	106,310	Queretaro	6.6	468	99	16,527
Mexico City	1,721	6.3	4.8	52,950	Mexico City	6.3	1,721	984	52,950
Coahuila	1,169	4.4	5.4	63,953	Colima	5.9	46	35	5,354
Campeche	--	--	4.1	662	Campeche	--	--	20	662
Chihuahua	--	--	5.0	10,636	Chihuahua	--	--	72	10,636
Guerrero	--	--	4.8	3,587	Guerrero	--	--	38	3,587
Quintana Roo	--	--	4.6	3,019	Quintana Roo	--	--	29	3,019
Yucatan	--	--	4.8	3,973	Yucatan	--	--	48	3,973

Source: Banorte-Ixe; Ministry of Labor

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