

## Wage negotiations – Manufacturing sector partially explains November’s 4% wage increase

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- **Wage negotiations (November): 4%; Banorte-Ixe: 4.1%; previous: 3.6%**
- **Wages in the private sector increased 4%, while in the public sector workers negotiated on average a 3.3% raise**
- **In our opinion, the increase in real wages strengthens our view of a higher growth in private consumption**
- **Baja California Sur stands out as the entity with the highest wage increase**

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Wage negotiations in November came in at 4% in nominal terms, marginally below with our 4.1% forecast. The negotiations in November were marginally below the 4.1% average observed year-to-date. We highlight that November’s figure was derived from a 4% increase in private sector wages, coupled with a 3.3% increase in the public sector. Moreover, most of the negotiations were conducted in the private sector (451 of the 464 negotiations that took place), and the bulk of workers also belong to this sector (69,405 of the 73,107 workers), and particularly inside the manufacturing sector, as shown in the following table.

### Contractual wage negotiations %

Nominal	Nov-15	Oct-15	Jan-Nov, 15	Jan-Nov, 14
<b>Total</b>	<b>4.0</b>	<b>3.6</b>	<b>4.1</b>	<b>4.2</b>
Public	3.3	3.3	3.5	3.7
Private	4.0	4.7	4.5	4.4
<b>In Real Terms</b>				
<b>Total</b>	<b>1.7</b>	<b>1.1</b>	<b>1.3</b>	<b>0.2</b>
Public	1.0	0.8	0.9	-0.3
Private	1.8	2.1	1.6	0.4
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>73</b>	<b>597</b>	<b>2,188</b>	<b>2,133</b>
Public	4	448.4	821	850
Private	69	148	1,366	1,283

Source: Banorte-Ixe; Ministry of Labor

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**The 4.4% increase in wages within the industrial sector was below the 4.1% observed in November 2014.** However, in the manufacturing sector wages increased 4.3%, benefiting more than 35,900 workers, and this sector partially explains November's wages figure. Moreover, in the mining sector, wage increases were in the area of 5.6%, above the ones negotiated in November 2014 (4%). Finally, in the construction sector, there were negotiations with increases of 3.4%.

**Bargaining processes in the services sector resulted slightly below the ones obtained in November 2014 (3.8% vs. 4%).** We highlight that November's wage negotiation figure of 3.8%, was mainly driven by retail sector, benefiting more than 6,800 workers with a 4.4% salary increase. Moreover, workers in the educational sector negotiated wages by 3.2%, slightly below the 3.4% observed in November 2014. In the financial sector, wages improved 4.2%, slightly below the 4% in Nov'2014. Finally in transport and communications, wage increases were up 3.1% vs. the 4.3% observed in the same month last year.

**Finally in the agricultural sector, negotiations were conducted in the area of 7.5%.** We highlight that this figure is significantly above than the 4% observed in the same period last year, as shown in the following table.

**Contractual wage negotiations in November 2015**

	Year-to-date				
	%	Workers	%	Workers	2014
<b>Total</b>	<b>4.0</b>	<b>73,107</b>	<b>4.1</b>	<b>2,187,864</b>	<b>4.1</b>
Public	3.3	3,702	3.5	821,405	3.6
Private	4.0	69,405	4.5	1,366,459	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.4</b>	<b>37,932</b>	<b>--</b>	<b>1,055,838</b>	<b>--</b>
Mining	5.6	1,929	4.2	215,899	4.2
Manufacturing	4.3	35,930	4.6	741,972	4.5
Construction	3.4	12	4.3	1,989	4.5
Utilities	4.2	61	3.4	95,978	3.5
<b>Services</b>	<b>3.8</b>	<b>34,805</b>	<b>--</b>	<b>1,123,789</b>	<b>--</b>
Commerce	4.4	6,892	4.4	129,547	4.3
Transport, storage and communications	3.1	7,909	4.0	135,088	3.9
Financial services	4.2	1,070	4.6	110,458	4.6
Other	3.7	18,934	4.6	748,696	4.6
<b>Agricultural</b>	<b>7.5</b>	<b>370</b>	<b>4.4</b>	<b>8,237</b>	<b>4.3</b>

Source: Banorte-Ixe; Ministry of Labor

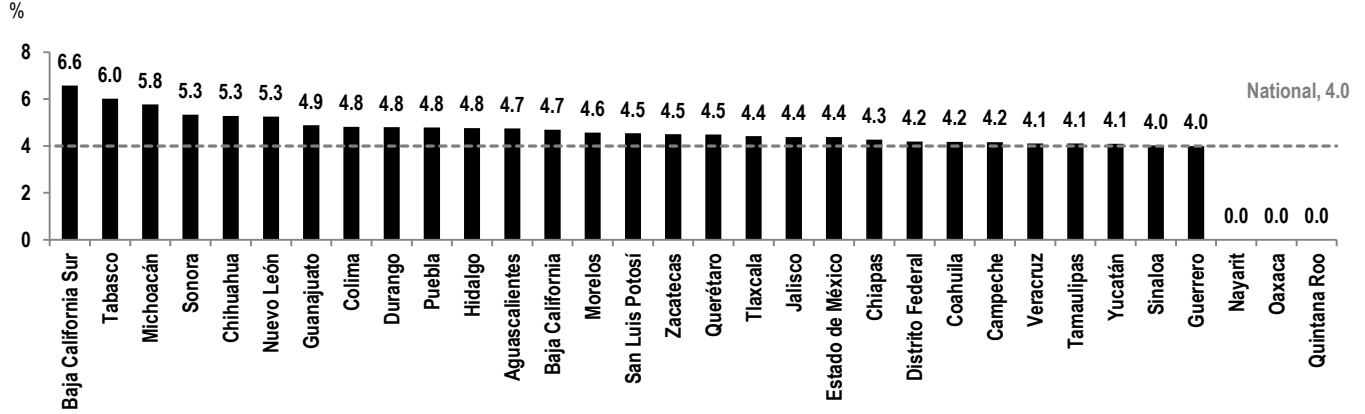
**In our opinion, the increase in real wages strengthens our view of a higher growth in private consumption.** We continue to believe that increases in contractual wages do not imply that firms perceive greater inflationary pressures, and are simply explained by the low historical inflation levels. Moreover, inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.43%. This leads to an expected increase in real wages.

From our regional economy team

**Baja California Sur stands out as the entity with the highest wage increase.**

In November, 27 of the 32 states in Mexico showed an increase in their wage negotiations above the 4% average, as shown in table below.

**Contractual wage negotiations by federal entity: November 2015**



Source: Banorte-Ixe; Ministry of Labor

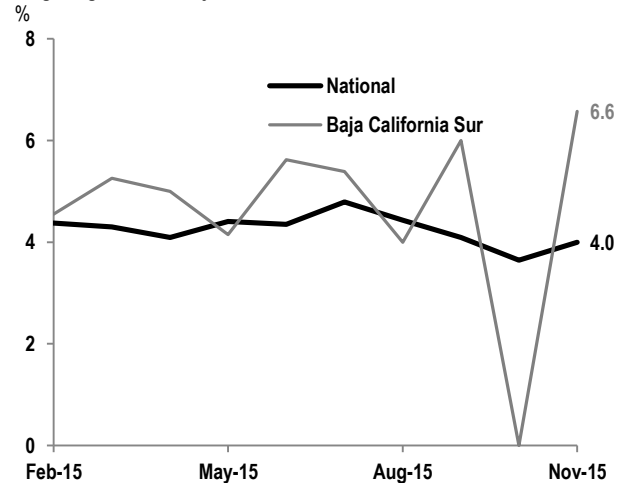
Baja California Sur stands out as the entity with the highest wage increase. Wage negotiations for workers grew 6.6%. Further down, the states of Tabasco (6%), Michoacán (5.8%), Sonora and Chihuahua (5.3%), also had firms that increased wages for their workers well above the national average. Moreover, the entities that failed to increase wages for its workers were Nayarit, Oaxaca and Quintana Roo (0%). In line with the national average are Guerrero and Sinaloa as shown in the lower left table.

**Higher and lower contractual wage negotiations**

	% oya	Year-to-date	
		Workers	Workers
<b>Mexico</b>	<b>4.0</b>	<b>73,107</b>	<b>4.3</b>
Baja California Sur	6.6	17	5.3
Tabasco	6.0	105	4.4
Michoacán	5.8	291	4.5
Sonora	5.3	1,323	4.9
Chihuahua	5.3	649	4.7
Quintana Roo	--	--	4.3
Oaxaca	--	--	5.0
Nayarit	--	--	4.2
Guerrero	4.0	120	4.7
Sinaloa	4.0	196	3.8

Source: Banorte-Ixe; Ministry of Labor

**Wage negotiations: Baja California Sur**



Source: Banorte-Ixe; Ministry of Labor

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