

Wage negotiations – Salaries increase 4.8% in May

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Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

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

- **The Ministry of Labor just published the contractual wage negotiation figures for May**
- **Wage negotiations (May) 4.8%; Banorte-Ixe: 4.1%; previous: 4.0%**
- **Salaries in the private sector rose 5%, although in the public sector they only increased 3.1%**
- **We highlight the 5.5% increase in the industrial sector, particularly the 5.7% in the manufacturing sub-sector**
- **Looking ahead, we expect similar increases in salaries after the rise in the minimum wage and the pickup in inflation**
- **Coahuila stands out as the federal entity with the highest number of workers with wage increases**

Wages increased 4.8% in May. Today, the Ministry of Labor published the figures for contractual wage negotiations. During May, 182,807 workers negotiated an average increase of 4.8% yoy (Banorte-Ixe: 4.1%). So far this year, the average for wages negotiated reached 4.5% yoy, above the 4.3% seen in the same period in 2016. We also highlight that 1,011,351 workers have benefitted from an increase in the past 5 months, 10,553 more than in the same period for 2016.

In the private sector, wage increases averaged 5% for 165,600 workers, while 17,207 employees in the public sector received an average increase of 3.1%, as seen in the table below.

Contractual wage negotiations

Nominal, %yoy	May-17	Apr-17	Jan-May, 17	Jan-May, 16
Total	4.8	4.0	4.5	4.3
Public	3.1	3.1	3.1	3.2
Private	5.0	4.7	4.8	4.5

Number of workers

Total	182,807	184,210	1,011,351	1,000,798
Public	17,207	87,998	177,502	169,928
Private	165,600	96,212	833,849	830,870

Year-to-date's share of workers

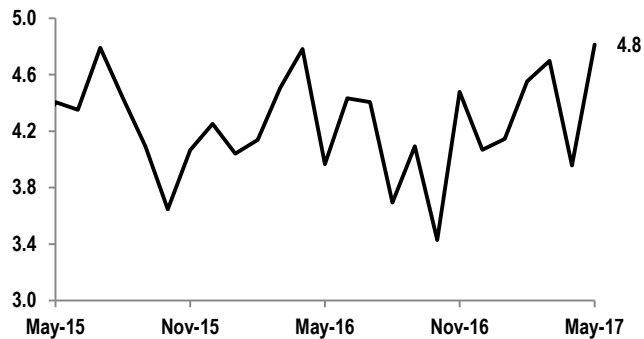
Total	18.1	18.2
Public	9.7	49.6
Private	19.9	11.5

Source: Ministry of Labor

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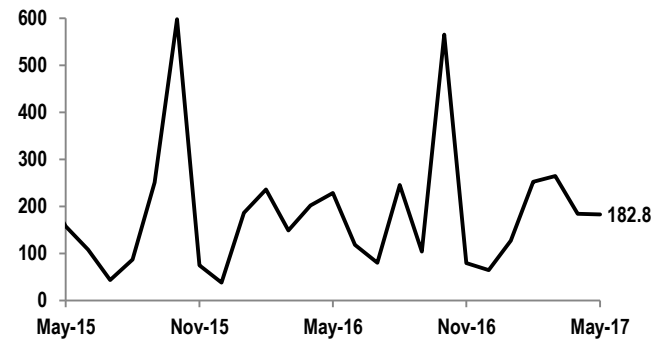
Contractual wage negotiations

% yoy, nominal



Workers receiving a wage increase

thousands



Source: Ministry of Labor, Banorte-Ixe

Wages in the industrial sector increased 5.5%. Taking a look at the breakdown, we highlight the average increase of 5.7% to 78,047 workers of the manufacturing sub-sector, while in the mining sub-category 6,805 employees received an average increase of 5.1%. Moreover, 4,373 workers of the utilities sector received an average raise of 3.1%, mainly driven by the remainder of workers which did not receive the wage negotiation of the Government's electricity company last month.

Services sector posted a 4.1% average increase, benefitting the most workers out of any sector. Within the sector, wage negotiations in the transportation, storage and communications sub-sector benefitted the most workers (45,992 employees) and posted the highest average increase (4.4%). Moreover, financial and real estate services benefitted 22,882 workers with an average increase of 4.1%.

Contractual wage negotiations by sector

	May 2017		Jan-May, 17		Jan-May, 16	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	5.5	89,235	4.8	550,623	4.3	507,786
Mining	5.1	6,805	5.4	26,200	5.3	12,669
Manufacturing	5.7	78,047	5.1	430,846	4.5	404,770
Construction	3.9	10	4.2	977	4.3	1,131
Utilities	3.1	4,373	3.1	92,600	3.2	89,216
Services	4.1	93,179	4.1	456,598	4.3	488,256
Commerce	4.2	5,712	4.3	86,105	6.1	89,542
Transport, storage and communications	4.4	45,992	4.2	165,538	4.0	194,074
Financial and real estate services	4.1	22,882	4.3	86,405	4.0	86,688
Other	3.4	18,593	3.7	118,550	3.5	117,952
Agricultural	5.1	393	4.9	4,130	4.2	4,756

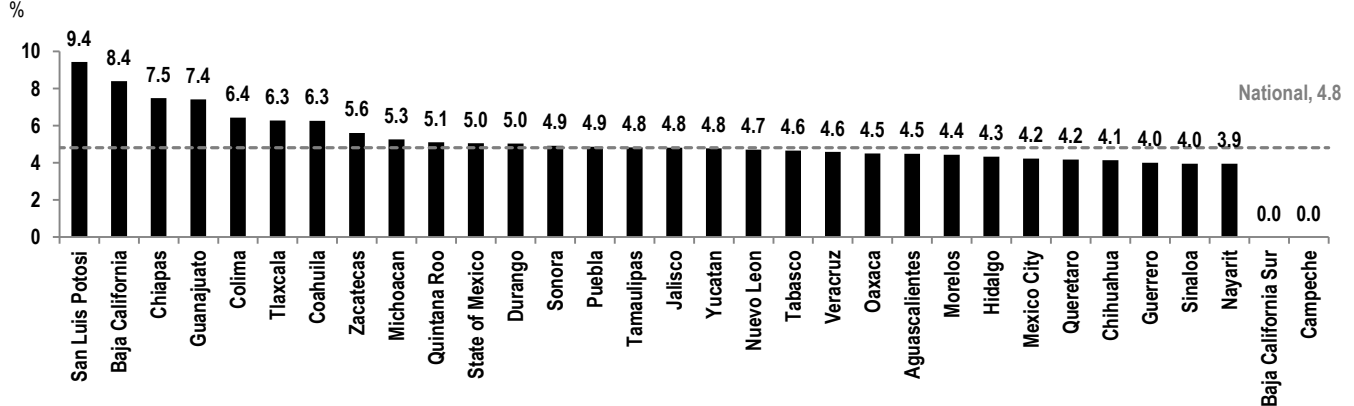
Source: Ministry of Labor

We expect higher increases in salaries in the coming month. We consider that the increase in the minimum wage, as well as higher inflation, will continue to have a significant impact on the salary increase dynamic in the coming months, particularly in the private sector.

From our regional economist

Coahuila stands out as the federal entity with the highest number of workers with wage increases. In May, 16 out of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 4.8% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: May 2017



Source: Banorte-Ixe; Ministry of Labor

Coahuila stands out as the entity with the highest number of workers that benefited from wage revisions during May (18,570 workers). In this context, wage negotiations in this federal entity increased 6.3% as shown in the following table. However, the states of Baja California Sur and Campeche showed no workers benefiting from wage negotiations. Year-to-date in Baja California Sur, 874 workers have seen their salary increase by an average of 4.1%. Moreover, in Campeche only 416 workers have seen their salary increase by an average of 8%. San Luis Potosi stands out as the entity with the highest wage increase in the month (+9.4%), benefiting 3,539 workers. Year-to-date, 14,745 workers in the state have seen their salary increase by an average of 7%, as shown in the table on the right. Further down, the states of Baja California (8.4%), Chiapas (7.5%), Guanajuato (7.4%), and Colima (6.4%), 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	%	Workers	Jan-May, '17	% oya	Workers	Jan-May, '17	Workers	
National	182,807	4.8	4.5	1,011,351	Nacional	4.8	182,807	3,953	1,011,351
Coahuila	18,570	6.3	5.2	39,396	San Luis Potosí	9.4	3,539	51	14,745
State of Mexico	12,349	5.0	5.0	71,533	Baja California	8.4	3,035	33	9,220
Nuevo Leon	10,906	4.7	4.5	37,298	Chiapas	7.5	507	30	6,300
Mexico City	7,139	4.2	4.7	37,387	Guanajuato	7.4	5,600	155	52,405
Guanajuato	5,600	7.4	5.5	52,405	Colima	6.4	62	17	1,817
Colima	62	6.4	5.8	1,817	Guerrero	4.0	7	24	3,587
Nayarit	44	3.9	4.5	523	Sinaloa	4.0	343	42	4,540
Guerrero	7	4.0	4.8	3,587	Nayarit	3.9	44	12	523
Oaxaca	2	4.5	4.2	2,846	Baja California Sur	--	--	10	874
Baja California Sur	--	--	4.1	874	Campeche	--	--	8	416

Source: Banorte-Ixe; Ministry of Labor

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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
Francisco José Flores Serrano	Economist, National	francisco.flores.serrano@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
Víctor 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
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@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

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
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454