

Wage negotiations – January’s 4.1% wage increase explained by the manufacturing and educational sector

February 10, 2016

www.banorte.com
www.ixe.com.mx
@ analisis_fundam

- **Wage negotiations (January): 4.1%; Banorte-Ixe: 3.9%; previous: 4.4%**
- **Wages in the private sector increased 4.4%, while in the public sector workers negotiated on average a 3.2% raise in January**
- **In our opinion, the increase in real wages strengthens our view of a higher growth in private consumption**
- **Colima 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 January came in at 4.1% in nominal terms, slightly above with our 3.9% forecast. The negotiations in January were in line with the 4.1% average observed in 2015. We highlight that January’s figure was derived from a 4.4% increase in private sector wages, coupled with a 3.2% increase in the public sector. Moreover, most of the negotiations were conducted in the private sector (528 of the 540 negotiations that took place), and the bulk of workers also belong to this sector (134,486 of the 176,474 workers), as shown in the following table, and particularly inside the manufacturing and educational sector.

Contractual wage negotiations
%

Nominal	Jan-16	Dec-15	2015
Total	4.1	4.4	4.1
Public	3.2	3.8	3.5
Private	4.4	4.4	4.5

In Real Terms

Total	1.5	2.2	1.3
Public	0.5	1.6	0.9
Private	1.8	2.2	1.6

Number of workers, thousands

Total	176	35	2,226
Public	42	0.7	822
Private	134	34	1,404

Source: Banorte-Ixe; Ministry of Labor

Document for distribution among public

In the manufacturing sector wages increased 4.4%, benefiting more than 47,893 workers. Moreover, in the mining sector, wage increases were in the area of 5.5%, slightly below the ones negotiated in January 2015 (5.6%). Finally, in the construction sector, the negotiations were in the area of 4.9%, significantly below from the 7% negotiated in Jan' 15.

January's wage negotiation figure in services was mainly driven by educational sector, benefiting more than 39,566 workers with a 3.2% salary increase. According to our monthly wages monitoring, we highlight wage increases in universities unions, such as *UNAM (Aapaunam)* with an increase of 3.15% to its workers; *Autonomous University of Aguascalientes (STUAA)* with 4.2%; the *Autonomous University of Chiapas (Staunach)* with 3.15%, and the *University of Veracruz (Setsuv)* with 3.5% increase. Moreover, 28,024 workers in the mass media information sector were benefited with a 4.4% wage increase, derived by the revisions of the *Union of Workers in the Radio and Television (Stirt)*. Similarly, in the retail sector were negotiated wages by 4.2%, below the 5.5% observed in January 2015. In the financial sector, wages improved 4.1%, marginally below the 4.2% in Jan'2015. Finally in transport, storage and communications services, wage increases were up 4.6% vs. the 4.2% observed in the same month of 2015, benefiting 22,600 workers.

Finally in the agricultural sector, negotiations were conducted in the area of 5.1%. Taking a look at the breakdown, this figure was above the 4% observed in the same period of 2015 and benefited 277 workers, as shown in the following table.

Contractual wage negotiations in January 2016

	January-2016		2015
	%	Workers	
Total	4.1	176,474	4.1
Public	3.2	41,988	3.5
Private	4.4	134,486	4.5
Breakdown by sector			
Industrial			
Mining	5.5	1,856	4.2
Manufacturing	4.4	47,893	4.6
Construction	4.9	101	4.3
Utilities	4.0	149	3.4
Services			
Commerce	4.2	15,396	4.4
Transport, storage and communications	4.6	22,600	4.0
Financial services	4.1	15,116	4.6
Other	4.1	73,086	4.6
Agricultural	5.1	277	4.4

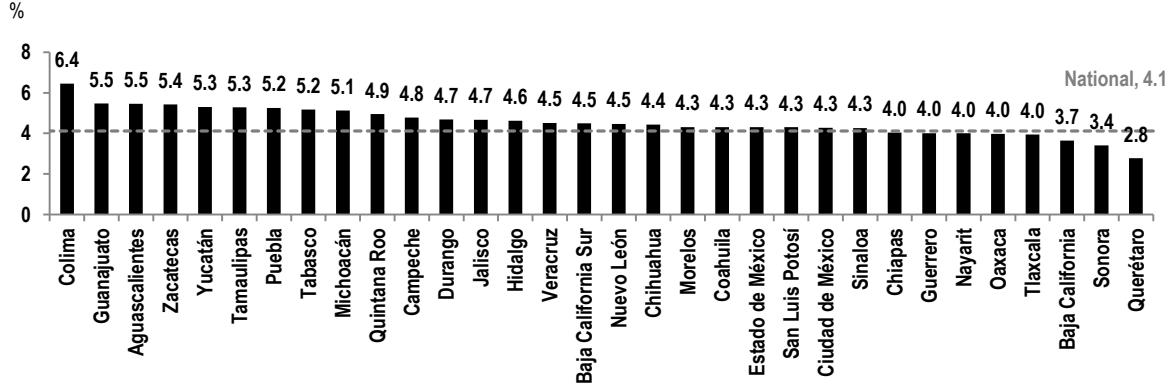
Source: Banorte-Ixe; Ministry of Labor

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 inflation levels. In this context, in January 2016, real wages increased 1.46%, the highest figure for a same period since 2002. Moreover, inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.21%. This leads to an expected increase in real wages.

From our regional economy team

Colima stands out as the entity with the highest wage increase In January, 24 of the 32 states in Mexico showed an increase in their wage negotiations above the 4.1% weighed average, as shown in table below.

Contractual wage negotiations by federal entity: January 2016



Source: Banorte-ixe; STPS

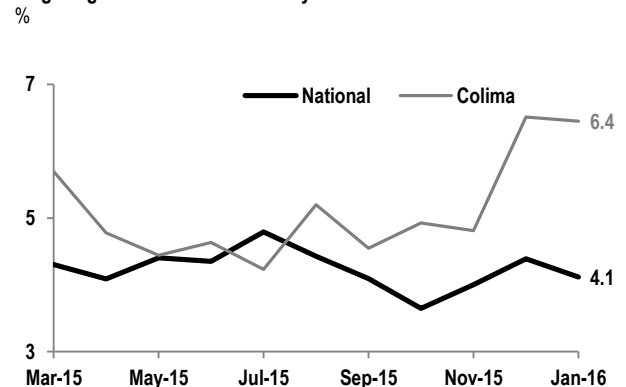
Colima stands out as the entity with the highest wage increase (+6.4%). Further down, the states of Guanajuato and Aguascalientes (5.5%), Zacatecas (5.4%) and Yucatán (5.3%), also had firms that increased wages for their workers well above the national average. Moreover, the entity that showed the lowest wage increase for its workers was Querétaro (2.8%). In this regard, we highlight that last year the entity favored wages for their workers showing an 4.7% advance. Slightly below the national average are Chiapas, Guerrero, Nayarit, Oaxaca and Tlaxcala as shown in the lower left table.

Higher and lower contractual wage negotiations

	% oya	Workers	Year-to-date	
			Jan-Dec, '15	Workers
Nacional	4.1	176,474	4.3	2,225,897
Colima	6.4	817	4.9	7,105
Guanajuato	5.5	4,096	4.6	78,239
Aguascalientes	5.5	273	4.8	18,490
Zacatecas	5.4	198	4.5	6,187
Yucatán	5.3	24	6.4	4,264
Querétaro	2.8	3,951	4.7	20,045
Sonora	3.4	292	4.9	28,109
Baja California	3.7	330	4.5	11,804
Tlaxcala	4.0	695	4.5	5,748
Oaxaca	4.0	67	4.9	4,797

Source: Banorte-ixe; STPS

Wage negotiations: Colima January 2016



Source: Banorte-ixe; STPS

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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