

# Industrial sector pushed wage negotiations

April 10, 2015

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- **Wage negotiations (March): 4.4%; Banorte-Ixe: 4%; previous: 4.4%**
- **Wages in the private sector increased 4.4%, while in the public sector workers received a 3.4% increase**
- **In our opinion, the figures for 1Q15 show the recovery in real wages negotiations**

**Wage negotiations in March came in at 4.4% in nominal terms (Banorte-Ixe: 4%).** The negotiations in March were in line with the average observed year-to-date. Moreover, most of the negotiations were conducted in the private sector (943 of the 948 negotiations that took place), with the bulk of workers also belonging to this sector (179,680 of the 181,533 workers), as shown in the following table.

**Contractual wage negotiations**

% oya

Nominal	Mar-15	Feb-15	Jan-Mar, 15	Jan-Mar, 14
<b>Total</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.2</b>
Public	3.4	3.3	3.4	3.9
Private	4.4	4.4	4.5	4.3
<b>In Real Terms</b>				
<b>Total</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>	<b>0.1</b>
Public	0.2	0.3	0.3	-0.3
Private	1.3	1.4	1.4	0.1
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>182</b>	<b>209</b>	<b>582</b>	<b>574</b>
Public	2	10.3	66	72
Private	180	199	516	502

Source: Banorte-Ixe; Ministry of Labor

**Negotiations in the industrial sector were slightly below the observed in March 2014 (4.6% vs. 4.7%).** In the mining sector, wage increases were in the area of 5.4%, below the ones negotiated in March 2014 (6.1%). In the manufacturing sector, wages increased 4.6%, slightly below with the observed in the same period of 2014 (4.5%). Finally, in the construction sector, wage increases were at 4.3%, in line with the average observed year-to-date.

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**Bargaining processes in the services sector resulted in line the ones obtained in March 2014 (4.1%).** In the retail sector, wage increases were up 4.1% vs. the 4.2% observed in the same month of 2014. In the financial services sector, wages improved 4.7%, above the 4.2% in March 2014. Moreover, workers in “*other services*” sector, negotiated wages by 4.1%, in line the ones obtained in March 2014. We highlight that according to our monthly monitoring, this increase was probably derived from wage negotiations conducted by the workers union of the *Mexico City’s University* (17,000 employees benefited from a wage increase of 4.1%). Similarly, in transportation, storage and communications sector, wage increases were at 3.6% vs. 4.3% in March 2014.

**Finally in the agricultural sector, the wage negotiations stood at 3.8% yoy.** We highlight that this figure was below the 4.2% obtained in March 2014, and was also below the average observed year-to-date, which is in the area of 4%, as shown in the following table.

#### Contractual wage negotiations in March 2015

	% oya	Workers	Year-to-date		
			% oya	Workers	2014
<b>Total</b>	<b>4.4</b>	<b>181,533</b>	<b>4.4</b>	<b>582,130</b>	<b>4.1</b>
Public	3.4	1,853	3.4	65,756	3.6
Private	4.4	179,680	4.5	516,374	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.6</b>	<b>108,124</b>	<b>4.8</b>	<b>279,459</b>	--
Mining	5.4	3,604	5.7	7,097	4.2
Manufacturing	4.6	103,986	4.5	271,133	4.5
Construction	4.3	517	4.3	997	4.5
Utilities	4.0	17	3.9	232	3.5
<b>Services</b>	<b>4.1</b>	<b>71,806</b>	<b>4.2</b>	<b>298,985</b>	--
Commerce	4.1	20,161	4.5	68,274	4.3
Transport, storage and communications	3.6	17,128	4.0	36,115	3.9
Financial services	4.7	9,665	4.8	42,233	4.6
Other	4.1	24,852	3.8	152,363	4.6
<b>Agricultural</b>	<b>3.8</b>	<b>1,603</b>	<b>4.0</b>	<b>3,686</b>	4.3

Source: Banorte-Ixe; Ministry of Labor

**In our opinion, the figures for 1Q15 show the recovery in real wages negotiations.** March’s wages –in real terms– posted a 1.24% increase, its highest level since March 2011, while in the first quarter of the year in real terms wage negotiations had a positive real increase by 1.27%. However, we continue to believe that the increases in contractual wages in the past months respond mostly to a recovery period of lost productivity during the economic crisis, and do not imply that the firms perceive greater inflationary pressures. In this regard, we highlight that real wages in Mexico have shown a significant lag with respect to the pace of growth in formal employment. Additionally, broader measures of wages remain stable.

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