

## Wage negotiations – Manufacturing and commerce explained the April’s 4.9% wage increase

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- **Wage negotiations (April): 4.9%; Banorte-Ixe: 3.3%; previous: 4.5%**
- **Wages in the private sector increased 4.9%, while in the public sector workers negotiated on average a 3.2% raise in April**
- **In our opinion, the increase in real wages strengthens our view of a higher growth in private consumption**
- **Estado de Mexico stands out as the entity with the highest number of workers with wage negotiations**

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**Wage negotiations in April came in at 4.9% in nominal terms, above our 3.3% forecast.** The negotiations in April were above the 4.4% average observed year-to-date (refer to the chart in the next page). We highlight that April’s figure was derived from a 4.9% 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 (913 of the 918 negotiations that took place), and the bulk of workers also belong to this sector (171,662 of the 172,988 workers, as shown in the following table), and particularly inside the manufacturing, mass media information services and commerce.

### Contractual wage negotiations %

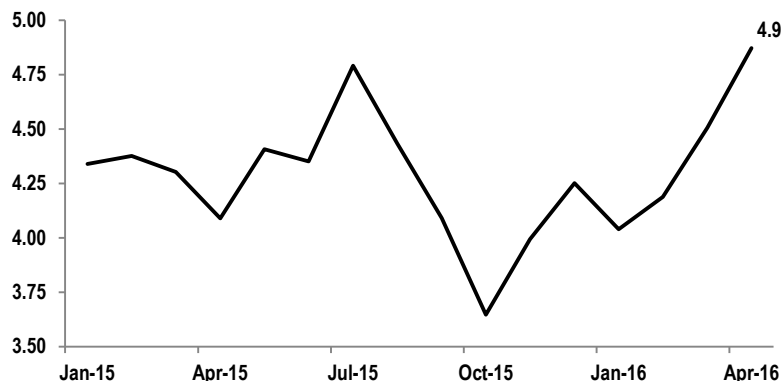
Nominal	Apr-16	Mar-16	Jan-Apr, 16	Jan-Apr, 15
<b>Total</b>	<b>4.9</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>
Public	3.2	3.3	3.2	3.5
Private	4.9	4.5	4.5	4.5
<b>In Real Terms</b>				
<b>Total</b>	<b>2.3</b>	<b>1.9</b>	<b>1.7</b>	<b>1.2</b>
Public	0.6	0.7	0.5	0.4
Private	2.3	1.9	1.8	1.4
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>173</b>	<b>143</b>	<b>725</b>	<b>871</b>
Public	1.3	1.7	68	156
Private	172	142	657	715

Source: Banorte-Ixe; Ministry of Labor

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### Contractual wage negotiations

% , in nominal terms



Source: Banorte-Ixe; Ministry of Labor

**In the manufacturing industry wages increased 4.6%, benefiting more than 76,775 workers.** In this context, according to our monthly wages monitoring, we highlight the wage increase negotiated by the *Nissan Workers Union* in Morelos, benefiting 1,800 workers with a 4% increase. Moreover, in the mining sector, wage increases were in the area of 4.8%, below the ones negotiated in April 2015 (5.2%). Finally, in the construction sector, negotiations were in the area of 4% for only 68 workers in April.

**April's wage negotiation figure in services was mainly driven by mass media information sector, benefiting more than 32,525 workers with a 3.2% salary increase.** Similarly, in commerce wages increased by 12.8%, significantly above the 3.6% observed in April 2015, benefiting 14,883 workers. In the educational sector, wages improved 3.2%, below the 3.4% in Apr'15. Finally in transport, storage and communications services, wage increases were up 4.3%, in line with the same month of 2015, beneficiating 13,546 workers.

**In the agricultural sector, negotiations were conducted in the area of 4.2%.** Taking a look at the breakdown, this figure was below the 4.9% observed in the same period of 2015 and benefited 740 workers, as shown in the following table.

**Contractual wage negotiations in April 2016**

	Year-to-date				
	%	Workers	%	Workers	2015
<b>Total</b>	<b>4.9</b>	<b>172,988</b>	<b>4.4</b>	<b>724,784</b>	<b>4.1</b>
Public	3.2	1,326	3.2	67,879	3.5
Private	4.9	171,662	4.5	656,905	4.5
<b>Breakdown by sector</b>					
<b>Industrial</b>					
Mining	4.8	1,486	5.3	5,900	4.2
Manufacturing	4.6	76,775	4.5	303,149	4.6
Construction	4.0	68	4.3	1,081	4.3
Utilities	3.3	122	3.6	291	3.4
<b>Services</b>					
Commerce	12.8	14,883	6.2	77,855	4.4
Transport, storage and communications	4.3	13,546	4.2	61,601	4.0
Financial services	3.7	17,021	4.0	78,438	4.6
Other	3.6	48,347	4.2	193,484	4.6
<b>Agricultural</b>	<b>4.2</b>	<b>740</b>	<b>4.1</b>	<b>2,985</b>	<b>4.4</b>

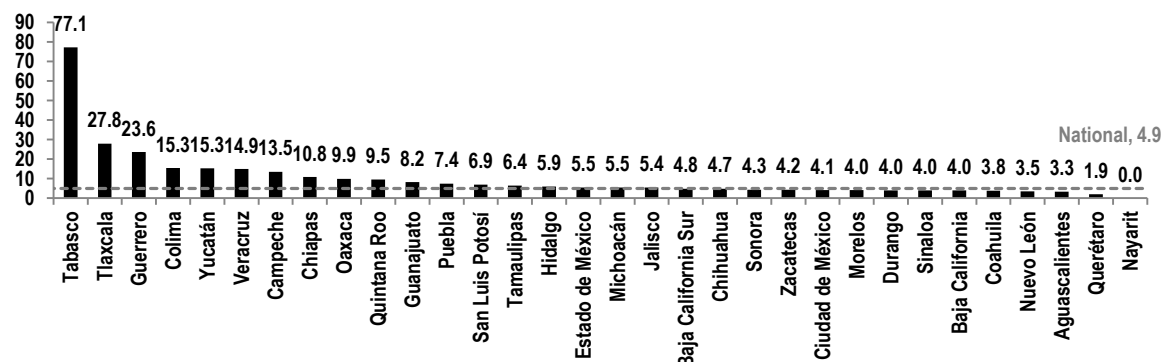
Source: Banorte-Ixe; Ministry of Labor

**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 inflation levels. In this context, in April 2016, real wages increased 2.3%, the highest level for a same month since 2001. Moreover, inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.36%. This leads to an expected increase in real wages.

From our regional economy team

**Estado de Mexico stands out as the entity with the highest number of workers with wage negotiations.** In April, 18 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 4.9% weighted average, as shown in table below.

**Contractual wage negotiations by federal entity: April 2016**  
%



Source: Banorte-Ixe; Ministry of Labor

Estado de Mexico stands out as the entity with the highest number of workers that benefited from wage revisions in their salaries during April (10,226 workers). In this regard, we highlight that wage negotiations in this federal entity increased 5.5% as shown in the left table. Moreover, workers in the state of Nayarit didn't had wage negotiations.

Tabasco stands out as the entity with the highest wage increase (+77.1%). However, it only benefited 185 workers. We highlight that it's also the highest advance observed since 1988. Year-to-date, wage negotiations in this federal entity have increased 28.8%. Further down, the states of Tlaxcala (27.8%), Guerrero (23.6%), Colima, and Yucatan (15.3%), 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			Year-to-date		
	Workers	%	Jan-Apr, '16	Workers	% oya	Workers	Jan-Apr, '16	Workers	
<b>National</b>	<b>172,988</b>	<b>4.9</b>	<b>4.4</b>	<b>724,784</b>	<b>4.9</b>	<b>172,988</b>	<b>4.4</b>	<b>724,784</b>	
Estado de Mexico	10,266	5.5	5.1	46,349	77.1	185	28.8	679	
Aguascalientes	8,614	3.3	3.8	12,933	27.8	112	9.9	2,904	
Ciudad de Mexico	7,921	4.1	4.6	28,549	23.6	142	9.2	2,698	
Guanajuato	7,220	8.2	5.8	35,426	15.3	458	10.9	1,275	
Jalisco	4,980	5.4	4.8	13,551	15.3	1,173	7.5	2,530	
Nayarit	--	--	3.9	482	--	--	3.9	482	
Durango	84	4.0	4.2	2,580	1.9	2,286	3.5	12,630	
Tlaxcala	112	27.8	9.9	2,904	3.3	8,614	3.8	12,933	
Guerrero	142	23.6	9.2	2,698	3.5	861	4.1	7,897	
Tabasco	185	77.1	28.8	679	3.8	1,064	4.3	18,967	

Source: Banorte-Ixe; Ministry of Labor

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