

## Wage negotiations – 4.9% increase in 2018 driven by persistently high inflation

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- The Ministry of Labor just published contractual wage negotiations for December
- Wage negotiations (December): 4.7%; Banorte: 5.1%; previous: 5.4%
- With these figures, the average increase in 2018 amounted to 4.9% and benefited 2.4 million workers, the most in the history of the indicator
- In this context, workers in the private sector saw their wages increase 5.7%, while employees in the public branch only got a 3.4% raise
- We believe wage dynamics during 2018 were heavily influenced by two factors: (1) Persistently high inflation throughout the year; and (2) the 10.4% minimum wage increase that went into effect in December 2017
- Looking ahead, we continue to expect upward pressures in wages given the 16.2% minimum wage increase
- San Luis Potosí stood out as the federal entity with the highest average salary increase of the country in 2018

**Wages increased 4.9 % in 2018.** In this context, 2.4 million workers got the average raise, 48.1 thousand more than last year and a new high in the history of the indicator (which is compiled since 1988). It is worth noting that the 4.9% increase is the highest since 2002, when it reached 5.8%. In this context, we believe wage dynamics were heavily influenced by two factors: (1) Persistently high inflation throughout the year, which averaged 4.9%; and (2) the 10.4% minimum wage increase, which unlike usual, went into effect in December instead of January.

In 2018, 1.5 million workers in the private sector saw their wages increase an average of 5.7%. On the public side, 813.7 thousand employees got a 3.4% raise (as shown in the following table).

In December, wages increased 4.7%, below our 5.1% estimate and 5.4% in the previous month. It should be noted that in December negotiations tend to slow down due to the holiday period. In this regard, 43.8 thousand workers got a raise. Out of those, only 30 belong to the public sector, totaling a 4.4% increase. The remaining are in the private sector, with their wages up by 4.7%.

### Contractual wage negotiations

%; number of workers

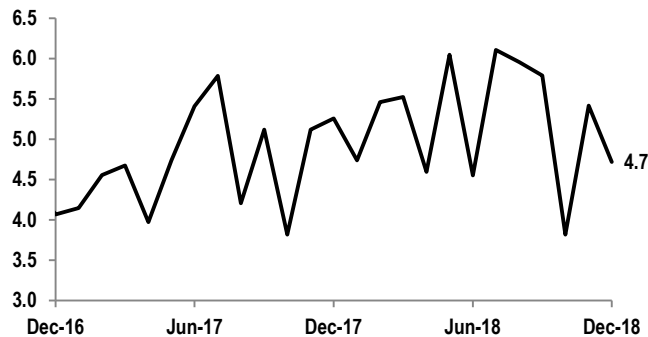
% nominal	Dec-18	Nov-18	2018	2017
<b>Total</b>	<b>4.7</b>	<b>5.4</b>	<b>4.9</b>	<b>4.4</b>
Public	4.4	4.1	3.4	3.1
Private	4.7	5.5	5.7	5.1
<b>Number of workers</b>				
<b>Total</b>	<b>43,788</b>	<b>92,024</b>	<b>2,358,054</b>	<b>2,309,962</b>
Public	30	8,394	813,695	806,225
Private	43,758	83,630	1,544,359	1,503,737

Source: Ministry of Labor

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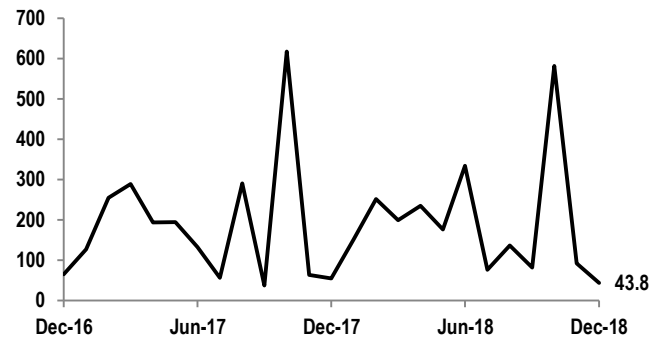
### Contractual wage negotiations

% yoy, nominal



### Workers receiving a wage increase

thousands



Source: Ministry of Labor

**Wages in the industrial sector during 2018 increased 5.4%, benefitting 1.1 million workers.** Taking a look at the breakdown, 823.6 thousand employees belong to the manufacturing sub-sector, which got a 6.0% average increase. In the monthly dynamic, 23.7 thousand in this subsector received a 5.2% average raise.

**Services sector wages' posted a 4.4% average growth for 1.2 million workers during the year.** Within the sector, the highest increase was 5.5% for 146.2 thousand workers in commerce. In December, wages of 768 workers in financial services increased 6.6%. Moreover, 12.3 thousand employees in transportation furthered their wages 3.2%.

### Contractual wage negotiations by sector

	December 2018		2018		2017	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
<b>Industrial</b>	<b>5.3</b>	<b>24,245</b>	<b>5.4</b>	<b>1,112,487</b>	<b>4.8</b>	<b>1,114,911</b>
Mining	6.4	520	3.9	195,372	3.6	200,758
Manufacturing	5.2	23,706	6.0	823,591	5.3	816,361
Construction	0.0	0	5.1	1,665	4.3	2,965
Utilities	22.8	19	3.4	91,859	3.2	94,827
<b>Services</b>	<b>4.0</b>	<b>19,395</b>	<b>4.4</b>	<b>1,236,798</b>	<b>4.0</b>	<b>1,185,802</b>
Commerce	5.9	2,302	5.5	146,206	4.9	135,421
Transport, storage and communications	3.2	12,300	4.9	326,565	4.6	311,346
Financial and real estate services	6.6	768	5.5	124,399	4.2	107,122
Other	4.8	4,025	3.7	639,628	3.4	631,913
<b>Agricultural</b>	<b>10.6</b>	<b>148</b>	<b>7.1</b>	<b>8,769</b>	<b>5.1</b>	<b>9,249</b>

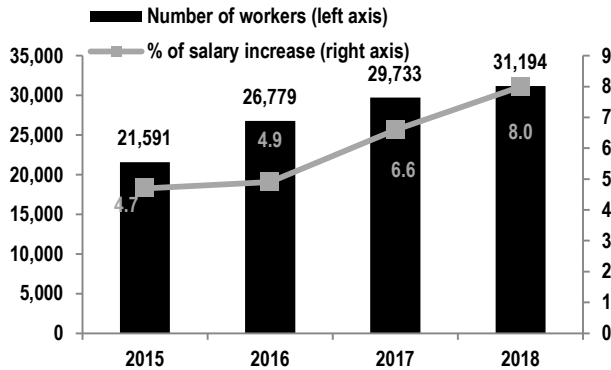
Source: Ministry of Labor

**Looking ahead, we continue to expect upward pressures in wage negotiations.** Going forward, we believe that negotiations will remain pressured to the upside given the 16.2% minimum wage increase announced on December 17th –coming into effect on January 1st–. In particular, we expect the contagion effect could be greater in the northern border considering that the adjustment in that region was +100% vs. 16.2% in the rest of the country.

At a state level

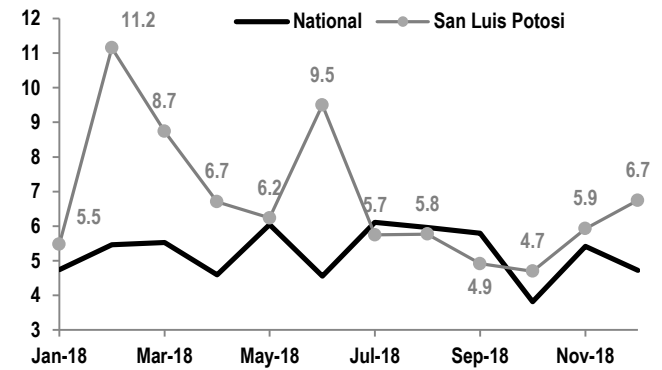
**San Luis Potosi stood out as the federal entity with the highest average increase in the country during 2018.** San Luis Potosi registered the highest average salary increase of the country (+ 8% nominal terms). This was achieved through 121 negotiations for a total of 31,194 workers in the state, which belonged to workers in the state’s government and police force. We highlight that the highest salary increase occurred in February (11.2% nominal terms). As we can see in the following graph, both the number of workers and the average salary increase was the highest in the entity in the last four years.

Wage negotiations in San Luis Potosi



Fuente: Banorte; STPS

Salary increase in San Luis Potosi

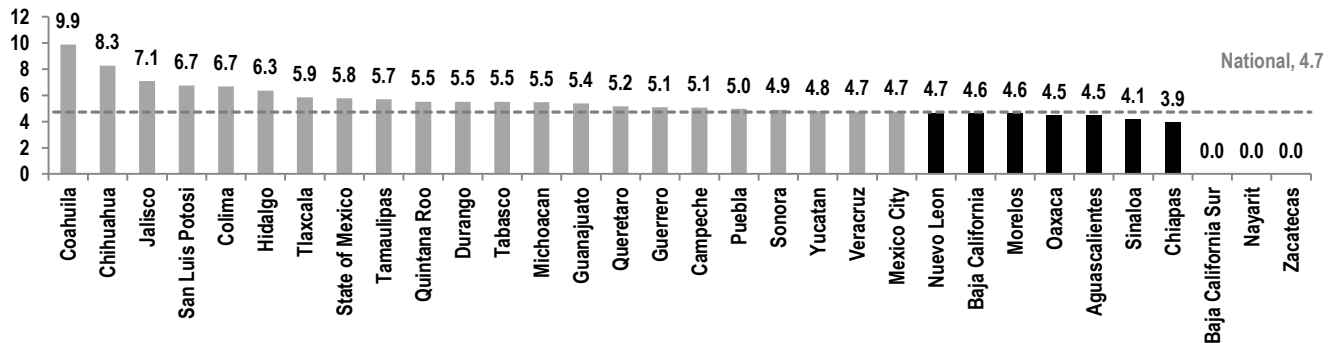


Fuente: Banorte; STPS

It is worth noting there are 22,207 workers who work in more than one entity which received an average increase of 4% during the month. However, these are not considered in the regional analysis. In 2018, a total 22 of the 32 states in Mexico showed a wage increase above or in line with the 4.7% national average. Nuevo Leon stands out as the entity with the most workers benefitting from revisions (5,498 workers). In this context, wage negotiations in this state increased 4.7% through 9 negotiations. By contrast Durango showed the lowest number of workers with salary benefits in the country. Additionally, for Baja California Sur, Nayarit, and Zacatecas no negotiations took place during the month.

Contractual wage negotiations by federal entity: December 2018

% in nominal terms



Source: Banorte; Ministry of Labor

Coahuila was the entity with highest increase in the month (+9.9%). It is important to highlight that this raise benefited only 107 workers. Year-to-date, 71,885 workers in the state have seen their salary increase by an average of 5.8%. On the other hand, Chihuahua (8.3%), Jalisco (7.1%), San Luis Potosi and Colima (6.7% respectively), had firms that furthered wages for their workers above the national average, as shown in the table below on the right.

**Higher and lower workers with contractual wage negotiations**

**Higher and lower contractual wage negotiations**

	Year-to-date				Year-to-date				
	Workers	%	Workers	Jan-Dec '18	% oya	Workers	Jan-Dec '18	Workers	
<b>National</b>	<b>22,207</b>	<b>4.7</b>	<b>4.9</b>	<b>802,058</b>	<b>National</b>	<b>4.7</b>	<b>22,207</b>	<b>6,139</b>	<b>802,058</b>
Nuevo Leon	5,498	4.7	5.5	52,049	Coahuila	9.9	107	158	71,885
State of Mexico	3,405	5.8	5.9	135,488	Chihuahua	8.3	712	105	14,382
Jalisco	2,130	7.1	6.1	36,773	Jalisco	7.1	2,130	338	36,773
Aguascalientes	1,516	4.5	5.5	26,980	San Luis Potosi	6.7	906	121	31,194
Mexico City	1,457	4.7	5.3	67,254	Colima	6.7	54	53	9,145
Tabasco	28	5.5	5.2	3,314	Sinaloa	4.1	358	101	7,922
Durango	24	5.5	7.3	5,402	Chiapas	3.9	231	76	5,481
Baja California Sur	--	--	5.6	4,421	Baja California Sur	--	--	28	4,421
Nayarit	--	--	5.2	651	Nayarit	--	--	15	651
Zacatecas	--	--	6.1	11,236	Zacatecas	--	--	42	11,236

Source: Banorte; Ministry of Labor

Source: Banorte; Ministry of Labor

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