

Wage negotiations moderate their advance in April

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Juan Carlos Alderete, CFA
Senior Economist, Mexico
juan.alderete.macal@banorte.com

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

Miguel Calvo
Regional Analyst
miguel.calvo@banorte.com

- **Wage negotiations (April): 4.9%; Banorte: 5.2%; previous: 6.6%**
- **Workers in the private sector saw wages increase 5.9%, while employees in the public branch got a 3.4% raise**
- **We highlight the 4.9% increase in the industrial sector, driven by negotiations in utilities given that the workers' union of CFE negotiated a raise of 3.4%**
- **We believe the minimum wage increase that came into effect on January 1st helps explain part of the relative acceleration, along demands of higher increases after two years of relatively high inflation**
- **Looking ahead, we expect workers to keep incorporating gradually the impact of the minimum wage increase at the start of the year, a catch-up effect due to high inflation in recent years**
- **Queretaro stood out as the federal entity with the highest average salary increase of the country**

Wages increased 4.9% in April. This figure was considerably below the 6.6% increase seen in March but marginally higher than the 4.6% of the same month in the previous year. This raise was a result of 670 negotiations that benefited 252,153 workers, 17,742 more than in April 2018. Year-to-date, the average increase has been 5.7% (60bps above the same period of 2018) for a total of 900,244 employees. It should be noted that the relative declaration is explained in large part by a greater number of workers in the public sector negotiating a wage increase, which typically tends to be lower than those seen in the private sector. In this context, 96,679 employees in the former negotiated an increase of 3.4%. It should be noted that most of them belong to the CFE workers' union, which in the month finished its negotiation with an increase of the same magnitude. On the other hand, 155,474 workers in the private sector managed a 5.9% salary increase (see table below).

We continue believing that the strong growth is mainly driven by the minimum wage increase of 16% that has been in place since January. To the latter we must add that several workers keep demanding above-average increases after 2 years of inflation above Banxico's target.

Contractual wage negotiations

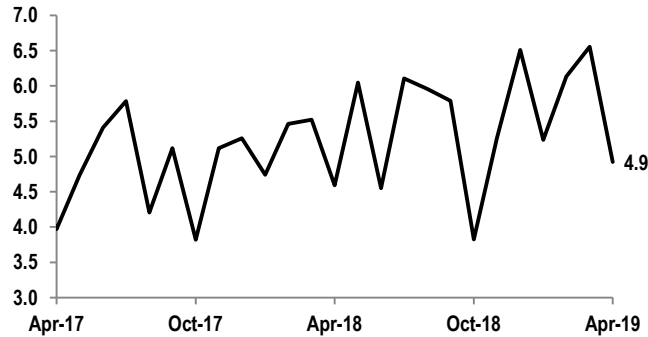
%; number of workers

% nominal	Apr-19	Mar-19	Jan-Apr '19	Jan-Apr '18
Total	4.9	6.6	5.7	5.1
Public	3.4	3.4	3.4	3.5
Private	5.9	6.6	6.2	5.5
Number of workers				
Total	252,153	251,418	900,244	836,550
Public	96,679	2,048	154,938	163,201
Private	155,474	249,370	745,306	673,349

Source: Ministry of Labor

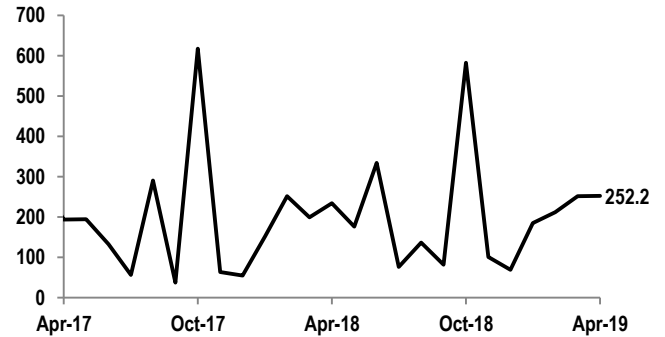
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Contractual wage negotiations
% yoy, nominal



Source: Ministry of Labor

Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industrial sector climbed 4.9%, benefitting 157,948 workers.

Taking a look at the breakdown, most workers with a raise were in utilities (90,358), receiving an increase of 3.4%. In this context, most of the workers labor in CFE, which as we previously mentioned, achieved a revision of the same magnitude in the month. On the other hand, 66,670 employees in manufacturing negotiated a 6.0% raise. We also note the 7.1% increase for 920 workers in mining.

Services sector wages' posted a 4.9% average growth for 92,708 workers.

Within the sector, the highest increase was 5.4% for 21,084 thousand workers in the commerce subsector. Nevertheless, the subsector with the most workers benefited was transportation with a 4.9% raise to 57,810 employees.

Contractual wage negotiations by sector

	April 2019		Jan-Apr '19		Jan-Apr '18	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	4.9	157,948	6.1	487,406	5.4	423,853
Mining	7.1	920	7.0	5,208	6.1	8,158
Manufacturing	6.9	66,670	6.7	388,655	5.9	324,865
Construction	0.0	0	4.9	2,621	5.2	985
Utilities	3.4	90,358	3.4	90,922	3.4	89,845
Services	4.9	92,708	5.3	407,163	4.8	408,248
Commerce	5.4	21,084	6.2	72,668	5.1	86,114
Transport, storage and communications	4.9	57,810	5.1	198,234	4.8	170,445
Financial and real estate services	4.5	2,389	4.9	45,246	5.6	53,489
Other	4.1	11,425	5.2	91,015	4.0	98,200
Agricultural	12.4	1,497	7.6	5,675	8.7	4,449

Source: Ministry of Labor

Looking ahead, we continue expecting pressures in wages.

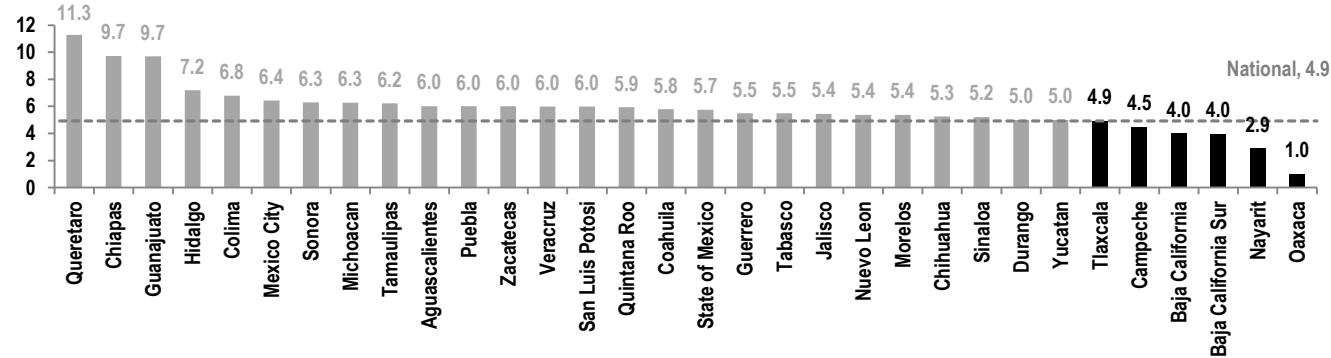
In our view, the abovementioned factors will keep playing a relevant part in terms of wage negotiations in coming months, taking into account that workers that have not had an adjustment so far continue taking them into account. In this respect, we believe negotiations will remain skewed to the upside given the minimum wage increase already described, gradually incorporated as revisions come due. By the same reasoning, we expect a catch-up effect as a result of higher inflation in the last two years to also influence negotiations. Nevertheless this could be partially offset by the convergence of inflation towards the target in the following quarters.

At the state level

Queretaro stood out as the federal entity with the highest average salary increase in the country. It is worth noting there are 181,985 workers who work in more than one entity, which received an average increase of 4.2% during the month. However, these are not considered in the regional analysis. A total 27 of the 32 states in Mexico showed a wage increase above or in line with the 4.9% national weighted average.

Contractual wage negotiations by federal entity: April 2019

% in nominal terms

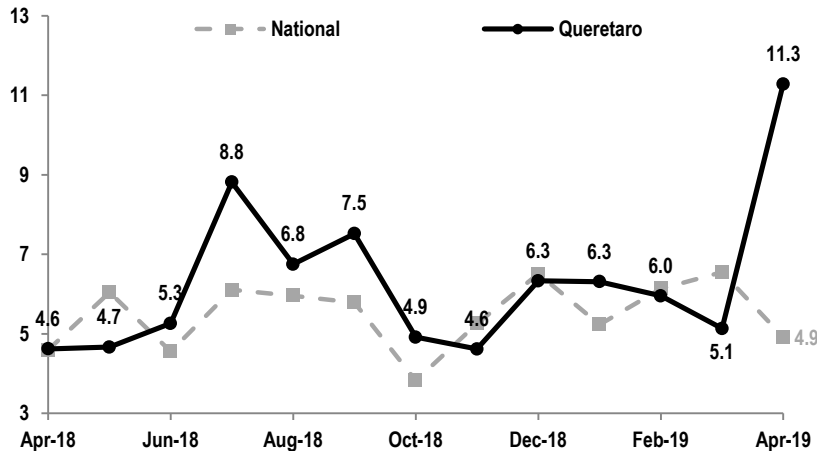


Source: Banorte; Ministry of Labor

In this context, we observe that Queretaro registered the highest average salary increase of the country (+11.3% nominal terms), as seen in the following graph. This was achieved through only 16 negotiations for a total of 2,548 workers in the state. We highlight that this increase had not been seen since April 2017. Year-to-date, a total of 9,037 workers saw their salary increase by an average of 7.4%. Moreover, Chiapas and Guanajuato (9.7%), Hidalgo (7.2%), and Colima (6.8%), had firms that furthered wages for their workers above the national average, as shown in the table below on the right.

Salary increase in Queretaro

%



Source: Banorte; STPS

On the other hand, Guanajuato stands out as the entity with the most workers benefitting from revisions (13,108 workers). In this context, wage negotiations in this state increased 9.7% through 33 negotiations. By contrast Campeche, Oaxaca, Durango, Baja California, and Colima showed the lowest number of workers with salary benefits in the country.

Higher and lower workers with contractual wage negotiations

	Year-to-date				Higher and lower contractual wage negotiations				
	Workers	%	Workers	Jan-Apr '19	% oya	Workers	Jan-Apr '19	Workers	
National	70,168	4.9	4.9	377,086	National	4.9	70,168	2,351	377,086
Guanajuato	13,108	9.7	8.0	54,496	Queretaro	11.3	2,548	53	9,037
State of Mexico	11,658	5.7	5.9	52,141	Chiapas	9.7	608	40	2,422
Coahuila	6,262	5.8	6.0	32,289	Guanajuato	9.7	13,108	131	54,496
Michoacan	5,091	6.3	6.1	15,330	Hidalgo	7.2	1,591	58	5,065
Mexico City	4,848	6.4	5.3	26,442	Colima	6.8	38	11	4,417
Colima	38	6.8	6.4	4,417	Campeche	4.5	12	8	383
Baja California	25	4.0	5.1	4,722	Baja California	4.0	25	33	4,722
Durango	25	5.0	10.6	9,690	Baja California Sur	4.0	116	20	1,155
Oaxaca	13	1.0	4.4	3,019	Nayarit	2.9	43	10	455
Campeche	12	4.5	4.5	383	Oaxaca	1.0	13	34	3,019

Source: Banorte; Ministry of Labor

Source: Banorte; 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
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Francisco Duarte Alcocer	Analyst, Global Economist	francisco.duarte.alcocer@banorte.com	(55) 1103 - 4000 x 2707
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
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research – Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
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	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@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
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454