

Wage negotiations – Manufacturing and financial sectors explained the March’s 4.5% wage increase

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- **Wage negotiations (March): 4.5%; Banorte-Ixe: 4.6%; previous: 4.2%**
- **Wages in the private sector increased 4.5%, while in the public sector workers negotiated on average a 3.3% raise in March**
- **The real wage increase stood at 1.9% in March, the highest level since 2001**
- **In our opinion, the increase in real wages strengthens our view of a higher growth in private consumption**
- **Morelos stands out as the entity with the highest wage increase**

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Wage negotiations in March came in at 4.5% in nominal terms, slightly below our 4.6% forecast. The negotiations in March were above the 4.2% average observed year-to-date. We highlight that March’s figure was derived from a 4.5% increase in private sector wages, coupled with a 3.3% increase in the public sector. Moreover, most of the negotiations were conducted in the private sector (675 of the 681 negotiations that took place), and the bulk of workers also belong to this sector (127,022 of the 128,676 workers), as shown in the following table, and particularly inside the manufacturing and financial sectors.

Contractual wage negotiations %

Nominal	Mar-16	Feb-16	Jan-Mar, 16	Jan-Mar, 15
Total	4.5	4.2	4.2	4.3
Public	3.3	3.2	3.2	3.5
Private	4.5	4.3	4.4	4.5
In Real Terms				
Total	1.9	1.3	1.5	1.2
Public	0.7	0.3	0.5	0.4
Private	1.9	1.4	1.6	1.4
Number of workers, thousands				
Total	129	222	537	629
Public	2	19	67	66
Private	127	203	470	563

Source: Banorte-Ixe; Ministry of Labor

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In the manufacturing industry wages increased 4.3%, benefiting more than 65,224 workers. Moreover, in the mining sector, wage increases were in the area of 5.3%, slightly below the ones negotiated in March 2015 (5.4%). In this context, according to our monthly wages monitoring, we highlight the wage increase negotiated by the *National Union of Mine, Metal and Steelworkers (SNTMMSRM)* union, benefiting more than 1,200 workers. Finally, in the construction sector, there were no negotiations in March.

March's wage negotiation figure in services was mainly driven by financial sector, benefiting more than 26,609 workers with a 3.8% salary increase.

Moreover, in the mass media information sector, workers were benefited with a 3.1% wage increase. Similarly, in the retail sector wages increased by 7.2%, significantly above the 4.1% observed in March 2015. In the educational sector, wages improved 3.2%, below the 4.3% in Mar'15. We highlight the wage increases in universities unions, such as those in *Veracruz, Campeche, Michoacán* and *Querétaro*. Finally in transport, storage and communications services, wage increases were up 4.9% vs. the 3.3% observed in the same month of 2015, benefiting 7,699 workers.

In the agricultural sector, negotiations were conducted in the area of 3.6%.

Taking a look at the breakdown, this figure was below the 3.9% observed in the same period of 2015 and benefited 559 workers, as shown in the following table.

Contractual wage negotiations in March 2016

	%	Workers	Year-to-date		
			%	Workers	2015
Total	4.5	128,676	4.2	536,660	4.1
Public	3.3	1,654	3.2	66,550	3.5
Private	4.5	127,022	4.4	470,110	4.5
Breakdown by sector					
Industrial					
Mining	5.3	1,256	5.4	4,404	4.2
Manufacturing	4.3	65,224	4.4	221,544	4.6
Construction	--	--	4.3	1,003	4.3
Utilities	--	--	3.7	169	3.4
Services					
Commerce	7.2	12,410	4.6	62,614	4.4
Transport, storage and communications	4.9	7,699	4.3	45,072	4.0
Financial services	3.8	26,609	4.0	57,557	4.6
Other	3.7	14,919	4.2	142,052	4.6
Agricultural	3.6	559	4.0	2,245	4.4

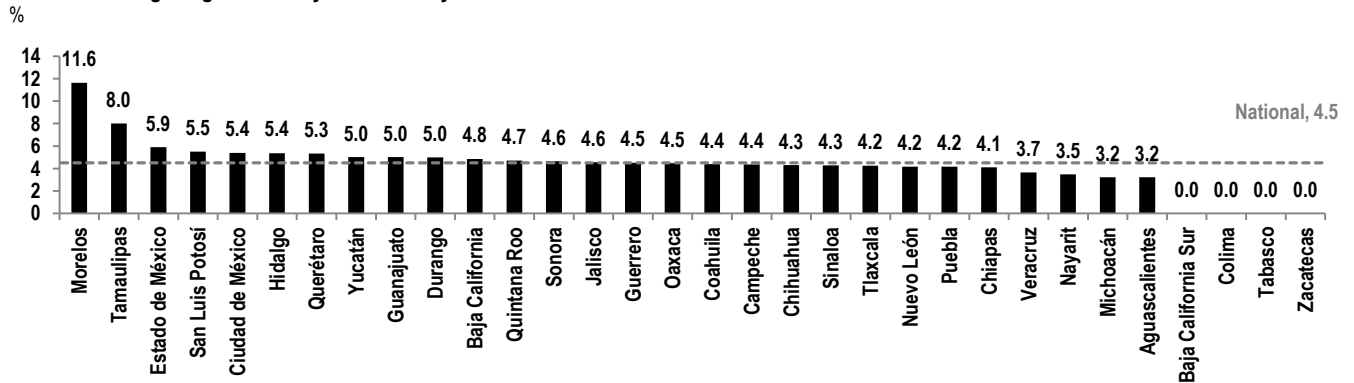
Source: Banorte-Ixe; Ministry of Labor

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 March 2016, real wages increased 1.9%, 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 3.3%. This leads to an expected increase in real wages.

From our regional economy team

Morelos stands out as the entity with the highest wage increase In March, 16 of the 32 states in Mexico showed an increase in their wage negotiations above or in line the 4.5% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: March 2016



Source: Banorte-Ixe; STPS

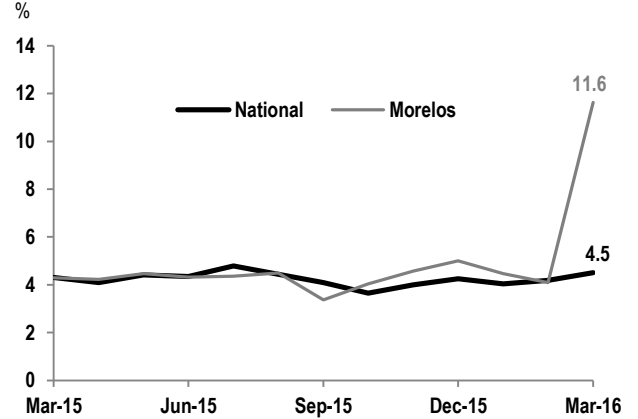
Slightly below the national average are Coahuila and Campeche (4.4%). Meanwhile, Guerrero and Oaxaca were in line with the national average as shown in the upper graph. Meanwhile, Hidalgo stands out as the entity with the highest wage increase (+11.7%). Year-to-date the entity favored wages for their workers showing an 6.7% advance. Further down, the states of Tamaulipas (8%), Estado de México (5.9%), San Luis Potosí (5.5%) and Mexico City (5.4%), also had firms that increased wages for their workers well above the national average. Moreover, the entity that showed no wage increase for its workers was Baja California Sur, Colima, Tabasco, and Zacatecas.

Higher and lower contractual wage negotiations

	%	Workers	Year-to-date	
			Jan-Mar, '16	Workers
National	4.5	128,676	4.2	536,660
Morelos	11.6	502	6.7	3,120
Tamaulipas	8.0	829	5.9	2,969
Estado de México	5.9	10,135	5.0	35,032
San Luis Potosí	5.5	1,375	4.7	5,191
Distrito Federal	5.4	7,039	4.7	19,701
Zacatecas	--	--	3.5	1,082
Tabasco	--	--	4.6	494
Colima	--	--	6.4	817
Baja California Sur	--	--	4.3	1,009
Aguaascalientes	3.2	2,986	4.0	4,319

Source: Banorte-Ixe; STPS

Wage negotiations: Morelos



Source: Banorte-Ixe; STPS

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