

Wage negotiations – Salaries increase 3.8% in October

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- The Ministry of Labor just published the contractual wage negotiation figures for October
- Wage negotiations (October) 3.8%; Banorte: 3.5%; previous: 5.1%
- Salaries in the private sector rose 5.9%, although in the public sector they only increased 3.1%
- We highlight the 5.6% increase in the industrial sector, particularly in the manufacturing sub-sector
- Looking ahead, we expect higher increases in salaries after the rise in the minimum wage and the pickup in inflation
- For the second consecutive month, Guanajuato stands out as the federal entity with the highest number of workers with wage increases

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Wages increased 3.8% in October. Today, the Ministry of Labor published the figures for contractual wage negotiations. During October, 608.8 thousand workers negotiated an average increase of 5.1% yoy (Banorte: 4.6%). So far this year, the average for wages negotiated reached 4.6% yoy, above the 4.2% seen during the same period in 2016. We also highlight that 1.6 million workers have benefitted from an increase in the past 9 months, 17.8 thousand more than in the same period for 2016.

The wage negotiations during the month were mainly explained by the number of workers in the public sector who got a raise. On average, 454.8 thousand employees got a 3.1% rise as a result of the negotiation of the IMSS workers' union. However, in the private sector, the wages climbed 5.9%, benefitting 153,974 staff members.

Contractual wage negotiations

Nominal, %yoy	Oct-17	Sep-17	Jan-Oct, 17	Jan-Oct, 16
Total	3.8	5.1	4.3	4.0
Public	3.1	1.2	3.1	3.1
Private	5.9	5.3	5.1	4.5

Number of workers

Total	608,806	36,997	2,178,435	2,114,470
Public	454,832	1,262	799,072	822,531
Private	153,974	35,735	1,379,363	1,291,939

Year-to-date's share of workers

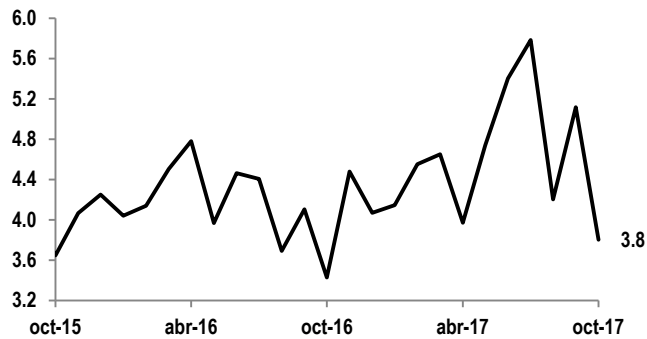
Total	27.9	1.7
Public	56.9	0.2
Private	11.2	2.6

Source: Ministry of Labor

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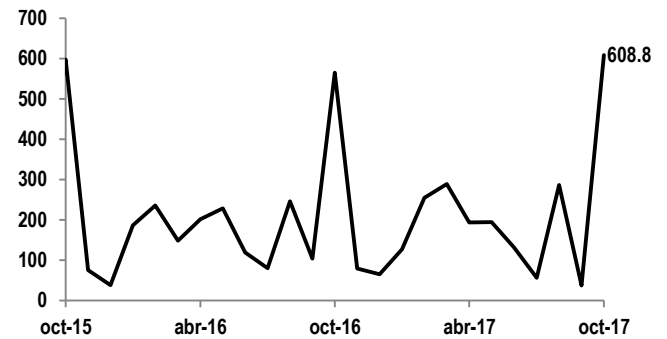
Contractual wage negotiations

% yoy, nominal



Workers receiving a wage increase

thousands



Source: Ministry of Labor, Banorte-Ixe

Wages in the industrial sector increased 5.4%. Taking a look at the breakdown, we highlight the average increase of 5.6% to 108,936 workers of the manufacturing sub-sector. Moreover, it is worth noting the increase seen in the mining sector, amounting to 5.4%, benefiting 5,311 employees,

Services sector posted a 3.4% average increase, benefitting the most workers out of any sector. Within the sector, wage negotiations in the commerce sub-sector posted the highest average increase reaching 9.7%. However, it only benefitted 8,900 workers. On the other hand, the healthcare and welfare subsector, described within “others” in the table below, furthered 3.1% the wages of 423,478. This occurred as a result of the negotiation of the IMSS workers’ union.

Contractual wage negotiations by sector

	October 2017		Jan-Oct, 17		Jan-Oct, 16	
Breakdown by sector						
Industrial	5.6	115,406	4.8	1,027,919	4.2	992,873
Mining	5.4	5,311	3.6	196,953	3.4	185,309
Manufacturing	5.6	108,936	5.3	733,772	4.6	710,460
Construction	4.6	51	4.3	2,946	4.3	1,721
Utilities	4.5	1,108	3.1	94,248	3.2	95,383
Services	3.4	493,020	3.9	1,142,716	3.8	1,113,507
Commerce	9.7	8,900	4.9	125,648	5.9	112,884
Transportation, storage and communications	6.1	14,057	4.5	293,355	4.0	285,895
Financial and real estate services	4.7	5,789	4.2	104,815	4.2	116,977
Other	3.2	464,274	3.4	618,898	3.2	597,751
Agricultural	6.7	380	5.1	7,800	5.0	8,090

Source: Ministry of Labor

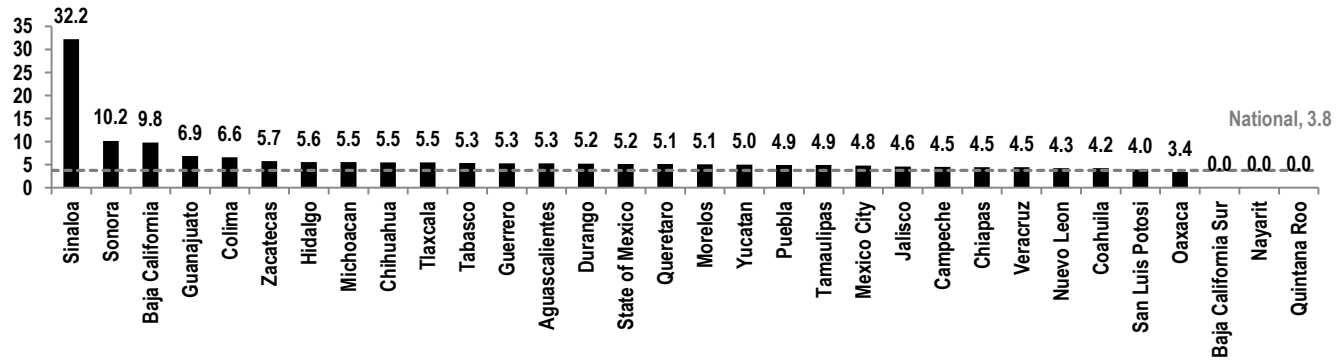
We forecast higher increases in salaries in the coming month. We consider that the impact of the increase in the minimum wage, as well as higher inflation will continue to weigh on negotiations in the coming months. However, starting next year we expect them to moderate due to the convergence of inflation expectations towards Banxico’s target.

At the regional level

For the second consecutive month, Guanajuato stands out as the federal entity with the highest number of workers with wage increases. In October, 28 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 3.8% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: October 2017

% in nominal terms



Source: Banorte-Ixe; Ministry of Labor

We highlight that for the second consecutive month, Guanajuato stands out as the entity with the highest number of workers that benefited from wage revisions during October (7,795 workers). In this context, wage negotiations in this federal entity increased 6.9%, the highest advance of the last 5 months, as shown in the following table. Year-to-date, 87,309 workers have benefited from the 5.6% average increase in wages. However, in Baja California Sur, Nayarit, and Quintana Roo no wage negotiations were held in October. Moreover, Sinaloa stands out as the entity with the highest wage increase in the month (+32.2%), the highest salary increase observed in the history of the state, but only benefited 517 workers. Year-to-date, 6,656 workers in the state have seen their salary increase by an average of 7%, as shown in the right table. Further down, the states of Sonora (10.2%), Baja California (9.8%), Guanajuato (6.9%), and Colima (6.6%), also had firms that increased wages for their workers well above the national average, as shown in the right table.

Higher and lower workers with contractual wage negotiations

	Year-to-date			Year-to-date				
	Workers	%	Workers	Jan-Oct, '17	%	Workers	Jan-Oct, '17	Workers
National	48,160	3.8	4.3	706,164	3.8	48,160	5,289	706,164
Guanajuato	7,795	6.9	5.6	87,309	Sinaloa	32.2	517	82
Mexico City	5,832	4.8	4.8	59,124	Sonora	10.2	1,161	117
State of Mexico	4,029	5.2	4.9	109,489	Baja California	9.8	2,501	101
Nuevo Leon	2,599	4.3	4.7	47,978	Guanajuato	6.9	7,795	323
Chihuahua	2,579	5.5	5.1	13,215	Colima	6.6	1,169	44
Oaxaca	30	3.4	4.0	2,846	San Luis Potosi	4.0	61	104
Campeche	20	4.5	4.1	682	Oaxaca	3.4	30	73
Baja California Sur	--	--	5.0	1,415	Baja California Sur	--	--	20
Nayarit	--	--	4.6	1,047	Nayarit	--	--	22
Quintana Roo	--	--	4.6	3,019	Quintana Roo	--	--	29

Source: Banorte-Ixe; Ministry of Labor

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