

## Wage negotiations – Strong real wage increase of 1.4%, on the back of contained inflation levels

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- **Wage negotiations (May): 4.3%; Banorte-Ixe: 4.2%; previous: 4.1%**
- **Wages in the private sector increased 4.4%, while in the public sector workers negotiated on average a 3.6% raise**
- **In our opinion, the favorable increase in real wages augurs well for consumption dynamism ahead**

**Wage negotiations in May came in at 4.3% in nominal terms (Banorte-Ixe: 4.2%).** The negotiations in May were in line with the average observed year-to-date. We highlight that May's figure was derived from a 4.4% increase in private sector wages coupled with an increase of 3.6% in the public sector. Moreover, most of the negotiations were conducted in the private sector (707 of the 715 negotiations that took place), with the bulk of workers also belonging to this sector (136,607 of the 155,342 workers), as shown in the following table.

### Contractual wage negotiations

% oya

Nominal	May-15	Apr-15	Jan-May, 15	Jan-May, 14
<b>Total</b>	<b>4.3</b>	<b>4.1</b>	<b>4.3</b>	<b>4.2</b>
Public	3.6	3.4	3.5	3.8
Private	4.4	4.5	4.5	4.3
<b>In Real Terms</b>				
<b>Total</b>	<b>1.4</b>	<b>1.0</b>	<b>1.2</b>	<b>0.3</b>
Public	0.7	0.3	0.4	-0.1
Private	1.4	1.4	1.4	0.4
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>155</b>	<b>240</b>	<b>1,018</b>	<b>950</b>
Public	19	89.4	174	172
Private	137	151	844	778

Source: Banorte-Ixe; Ministry of Labor

**Negotiations in the industrial sector were below the figure observed in May 2014 (4.5% vs. 7.8%).** In the construction sector, wage increases were at 4.1%, below the significantly 18% observed in the same period last year. In the mining sector, wage increases were in the area of 5.7%, marginally above the ones negotiated in May 2014 (5.6%). In the manufacturing sector, wages increased 4.6%, above the 4.2% observed in the same period of 2014.

**Bargaining processes in the services sector also resulted below the ones obtained in May 2014 (4.0% vs. 4.5%).** In the retail sector, wage increases were up 4.5% vs. the 5.5% observed in the same month of 2014. In the financial services sector, wages improved 4.1%, below the 5.7% in May 2014. Moreover, in the educational services sector, wage increases were up in the area of 3.4%, marginally below the 3.5% observed in May 2014.

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In this regard, we believe that May's figure in this sector was mainly driven by wage increases in the *National Union of Education Workers (SNTE)*. Moreover, workers in the professional services sector negotiated wages by 3.4%, below the 4.3% in May 2014, which possibly resulted from revisions in labor unions of private sector such as the automotive (*Audi*) and aviation (*Aeroméxico*) industries. Similarly, in transportation, storage and communications sector, wage increases were at 3.7% vs. 4.1% last year.

**Finally in the agricultural sector, no negotiations were conducted.** We highlight that although no negotiations took place in May for this sector, the average observed year-to-date is 4.0%, as shown in the following table.

**Contractual wage negotiations in May 2015**

	% oya	Workers	Year-to-date		2014
			% oya	Workers	
<b>Total</b>	<b>4.3</b>	<b>155,342</b>	<b>4.3</b>	<b>1,018,186</b>	<b>4.1</b>
Public	3.6	18,735	3.4	174,216	3.6
Private	4.4	136,607	4.4	843,970	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.5</b>	<b>70,174</b>	<b>--</b>	<b>540,596</b>	<b>--</b>
Mining	5.7	4,378	5.6	13,774	4.2
Manufacturing	4.6	61,075	4.6	431,430	4.5
Construction	4.1	34	4.3	1,103	4.5
Utilities	3.6	4,687	3.4	94,289	3.5
<b>Services</b>	<b>4.0</b>	<b>85,168</b>	<b>--</b>	<b>473,447</b>	<b>--</b>
Commerce	4.5	5,770	4.4	88,015	4.2
Transport, storage and communications	3.7	12,088	3.9	68,565	3.9
Financial services	4.1	32,304	4.5	77,701	4.6
Other	3.9	35,006	4.0	239,166	4.6
<b>Agricultural</b>	<b>--</b>	<b>--</b>	<b>4.0</b>	<b>4,143</b>	<b>4.3</b>

Source: Banorte-Ixe; Ministry of Labor

**In our opinion, the favorable increase in real wages augurs well for consumption dynamism ahead.** May's wages –in real terms- posted a 1.36% increase, its highest level since May 2002. Year-to-date and in real terms wage negotiations had a 1.2% increase. However, we continue to believe that increases in contractual wages in the past months respond mostly to a recovery period of lost productivity, and do not imply that firms perceive greater inflationary pressures, given that inflation stands below 3% in May. In this regard, we highlight that real wages in Mexico have shown a significant lag with respect to the pace of growth in formal employment. Additionally, broader measures of wages remain stable.

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