

Wage negotiations – Salaries increase 5.4% in March

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- **The Ministry of Labor just published the contractual wage negotiation figures for March**
- **Wage negotiations (March) 5.4%; Banorte: 4.9%; previous: 5.5%**
- **Salaries in the private sector rose 5.4%, although in the public sector they increased 4.9%**
- **We highlight the 5.8% growth in the industrial sector, particularly in the manufacturing sub-sector**
- **Looking ahead, we continue to expect upward pressures in wage negotiations**
- **Nuevo Leon stands out as the federal entity with the highest number of workers with wage increases in March 2018**

Wages increased 5.6% in March. Today, the Ministry of Labor published the figures for contractual wage negotiations. During March, 169.4 thousand workers negotiated an average increase of 5.4%, above our 4.9% forecast. It is worth noting that this figure is marginally lower than the 5.5% seen in February.

In the first three months of the year, 562.4 thousand workers have benefited by an average increase of 5.3%, greater than the 4.5% seen in the same period of 2017. However, 107.5 thousand less workers have received a wage increase in comparison to last year.

The wage negotiations during the month were mainly explained by the number of workers in the private sector who got a raise. On average, 167,516 employees got a 5.4% increase in their wages. Moreover, 1,911 workers in the public sector received an average growth of 4.9% (as shown in the table below).

Contractual wage negotiations

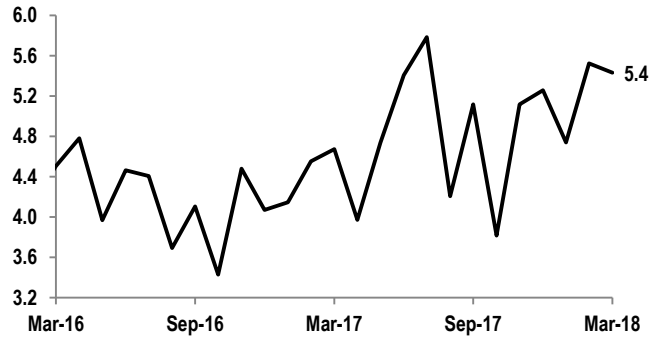
% yoy in nominal terms; number of workers

%yoy in nominal terms	Mar-18	Feb-18	Jan-Mar, 18	Jan-Mar, 17
Total	5.4	5.5	5.3	4.5
Public	4.9	3.4	3.6	3.2
Private	5.4	5.7	5.5	4.7
Number of workers				
Total	169,427	241,297	562,417	669,911
Public	1,911	20,282	71,932	72,297
Private	167,516	221,015	490,485	597,614

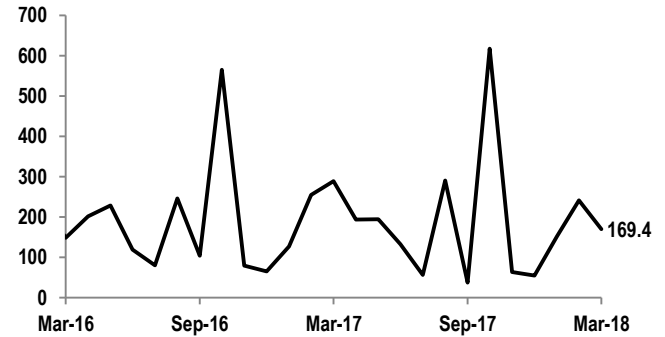
Source: Ministry of Labor

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Contractual wage negotiations
% yoy, nominal



Workers receiving a wage increase
thousands



Source: Ministry of Labor, Banorte

Wages in the industrial sector increased 5.8%, benefitting the most workers out of any sector. Taking a look at the breakdown, we highlight the average raise of 5.8% to 99,190 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the utilities sector amounting to 7.6%, benefitting 53 employees. In addition, 524 workers in the mining sector received a 5.4% increase.

Services sector posted a 4.9% average increase. Within the sector, wage negotiations in other services posted the highest average raise reaching 5.8%, while benefitting 14,449 workers. On the other hand, the financial and real estate sub-sector furthered 5.3% the wages of 7,437 employees. In addition, the commerce sector posted a 4.7% raise to 29,084 staff members.

Contractual wage negotiations by sector

	March 2018		Jan-Mar, 18		Jan-Mar, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	5.8	100,237	6.0	244,868	5.1	309,720
Mining	5.4	524	6.0	6,393	5.4	18,220
Manufacturing	5.8	99,190	6.0	237,104	5.1	290,380
Construction	4.9	470	5.2	955	4.2	937
Utilities	7.6	53	4.4	416	3.2	183
Services	4.9	68,395	4.7	313,991	4.0	356,350
Commerce	4.7	29,084	5.1	70,547	4.3	72,579
Transport, storage and communications	4.5	17,425	4.7	118,183	4.1	129,355
Financial and real estate services	5.3	7,437	5.6	37,657	4.2	58,102
Other	5.8	14,449	3.9	87,604	3.6	96,314
Agricultural	4.3	795	7.9	3,558	4.8	3,841

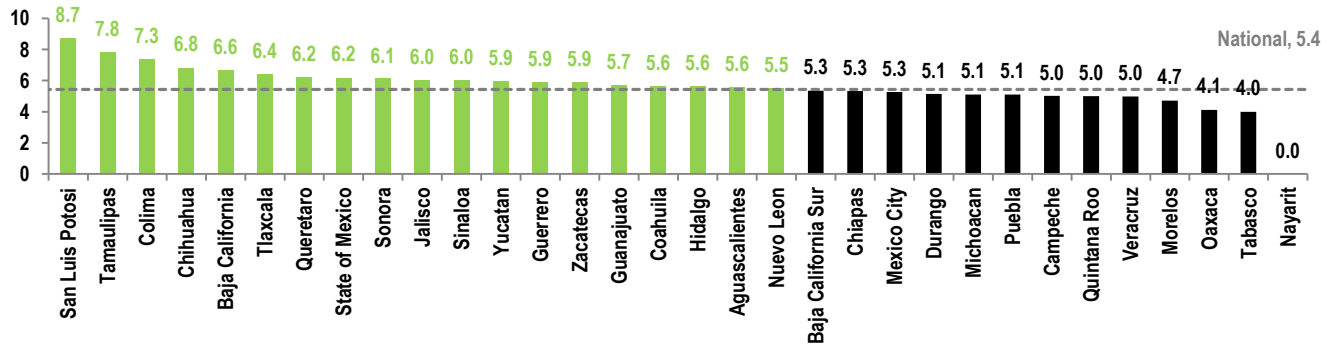
Source: Ministry of Labor

Looking ahead, we continue to expect upward pressures in wage negotiations. We consider that the impact of the increase in the minimum wage enacted on December 1, 2017, as well as persistence of high levels of inflation, will continue to weigh on wage negotiations in the first half of 2018.

At the regional level

Nuevo Leon stands out as the federal entity with the highest number of workers with wage increases in March 2018. In the third month of the year, 19 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.4% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: March 2018
% in nominal terms



Source: Banorte; Ministry of Labor

Nuevo Leon stands out as the entity with the most workers benefitting from a wage revision during March (15,259 workers). In this context, wage negotiations in this entity increased 5.5%, as shown in the following table. Year-to-date, 19,198 workers have furthered their wage by an average of 5.5%. However, Colima, Tabasco, Durango, Guerrero, and Nayarit showed the smallest number of workers with wage negotiations in the third month of 2018.

On the other hand and for the second consecutive month, San Luis Potosi was the entity with the highest wage increase in the month (+8.7%). It is important to remark that this raise benefited 5,217 workers mostly from the education sector and government. Year-to-date, 12,088 workers in the state saw their salary increase by an average of 5.5%, as shown in the table on the right. Further down, the states of Tamaulipas (7.8%), Colima (7.3%), Chihuahua (6.8%), and Baja California with 6.6%, also had firms that furthered wages for their workers above the national average, as shown in the table on the right.

Higher and lower workers with contractual wage negotiations

	Year-to-date				Higher and lower contractual wage negotiations				
	Workers	%	Workers	Jan-Mar '18	% oya	Workers	Jan-Mar '18	Workers	
National	101,959	5.4	5.3	238,860	National	5.4	101,959	1,592	238,860
Nuevo Leon	15,259	5.5	5.5	19,198	San Luis Potosi	8.7	5,217	23	12,088
State of Mexico	13,254	6.2	5.8	36,538	Tamaulipas	7.8	1,749	85	3,261
Guanajuato	12,713	5.7	6.4	37,254	Colima	7.3	223	9	3,891
Mexico City	9,966	5.3	5.4	22,028	Chihuahua	6.8	2,245	26	5,282
Morelos	5,242	4.7	4.9	6,443	Baja California	6.6	418	38	2,257
Colima	223	7.3	6.4	3,891	Veracruz	5.0	4,386	52	8,934
Tabasco	113	4.0	5.2	587	Morelos	4.7	5,242	17	6,443
Durango	71	5.1	6.2	719	Oaxaca	4.1	2,496	10	2,598
Guerrero	41	5.9	4.8	1,383	Tabasco	4.0	113	3	587
Nayarit	--	--	5.0	289	Nayarit	--	--	4	289

Source: Banorte; Ministry of Labor

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