

## Wage negotiations – Manufacturing sector explained the February’s 4.2% wage increase

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- **Wage negotiations (February): 4.2%; Banorte-Ixe: 4.3%; previous: 4%**
- **Wages in the private sector increased 4.3%, while in the public sector workers negotiated on average a 3.2% raise in February**
- **In our opinion, the increase in real wages strengthens our view of a higher growth in private consumption**
- **Hidalgo stands out as the entity with the highest wage increase**

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### Regional and Sectorial

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**Wage negotiations in February came in at 4.2% in nominal terms, slightly below our 4.3% forecast.** The negotiations in February were slightly above the 4.1% average observed in 2015. We highlight that February’s figure was derived from a 4.3% increase in private sector wages, coupled with a 3.2% increase in the public sector. Moreover, most of the negotiations were conducted in the private sector (842 of the 851 negotiations that took place), and the bulk of workers also belong to this sector (194,812 of the 212,526 workers), as shown in the following table, and particularly inside the manufacturing and educational industries.

#### Contractual wage negotiations %

Nominal	Feb-16	Jan-16	Jan-Feb, 16	Jan-Feb, 15
<b>Total</b>	<b>4.2</b>	<b>4.0</b>	<b>4.1</b>	<b>4.4</b>
Public	3.2	3.2	3.2	3.3
Private	4.3	4.3	4.3	4.6
<b>In Real Terms</b>				
<b>Total</b>	<b>1.3</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>
Public	0.3	0.5	0.5	0.3
Private	1.4	1.7	1.5	1.5
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>213</b>	<b>185</b>	<b>398</b>	<b>404</b>
Public	18	46	64	64
Private	195	140	334	340

Source: Banorte-Ixe; Ministry of Labor

**In the manufacturing industry wages increased 4.5%, benefiting more than 101,390 workers.** In this context, according to our monthly wages monitoring, we highlight the 5.5% wage increase negotiated by *the Maquila Sector Workers in Victoria Tamaulipas*, benefiting more than 1,500 workers; coupled with an increase of 4.2% in the *Union of Journeymen and Maquila Workers of Matamoros*, benefiting more than 30,000 workers. Moreover, in the mining sector, wage increases were in the area of 5.5%, below the ones negotiated in February 2015 (6%). Finally, in the construction sector, the negotiations were in the area of 4.2%, slightly below from the 4.3% negotiated in Feb'15.

**February's wage negotiation figure in services was mainly driven by educational sector, benefiting more than 18,268 workers with a 3.2% salary increase.** We highlight wage increases of 3.1% in universities unions, such as those in *Oaxaca, Baja California, Puebla, Guanajuato, San Luis Potosí and Hidalgo*. Moreover, in the mass media information sector, workers were beneficiated with a 4.2% wage increase. Similarly, in the retail sector wages increased by 3.9%, below the 4.2% observed in February 2015. In the financial sector, wages improved 4.1%, below the 5.1% in Feb'15. Finally in transport, storage and communications services, wage increases were up 3.9% vs. the 4.4% observed in the same month of 2015, beneficiating 12,538 workers.

**Finally in the agricultural sector, negotiations were conducted in the area of 4%.** Taking a look at the breakdown, this figure was below the 4.4% observed in the same period of 2015 and benefited 1,391 workers, as shown in the following table.

**Contractual wage negotiations in February 2016**

	%	Workers	Year-to-date		2015
			%	Workers	
<b>Total</b>	<b>4.2</b>	<b>212,526</b>	<b>4.1</b>	<b>397,960</b>	<b>4.1</b>
Public	3.2	17,714	3.2	63,631	3.5
Private	4.3	194,812	4.3	334,329	4.5
<b>Breakdown by sector</b>					
<b>Industrial</b>					
Mining	5.5	1,189	5.5	3,045	4.2
Manufacturing	4.5	101,390	4.5	150,725	4.6
Construction	4.2	757	4.3	983	4.3
Utilities	--	12	3.7	161	3.4
<b>Services</b>					
Commerce	3.9	34,006	4.0	49,648	4.4
Transport, storage and communications	3.9	12,538	4.3	35,312	4.0
Financial services	4.1	15,580	4.1	30,950	4.6
Other	4.8	45,663	4.0	125,468	4.6
<b>Agricultural</b>	<b>4.0</b>	<b>1,391</b>	<b>4.2</b>	<b>1,668</b>	<b>4.4</b>

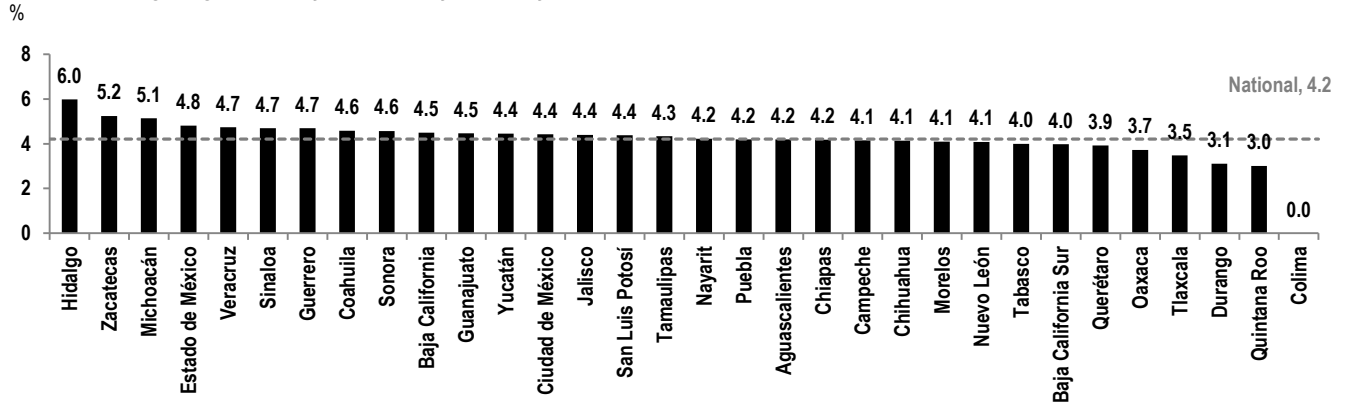
Source: Banorte-Ixe; Ministry of Labor

**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 February 2016, real wages increased 1.3%. Moreover, inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.19%. This leads to an expected increase in real wages.

From our regional economy team

**Hidalgo stands out as the entity with the highest wage increase** In February, 20 of the 32 states in Mexico showed an increase in their wage negotiations above the 4.2% weighted average, as shown in table below.

**Contractual wage negotiations by federal entity: February 2016**



Source: Banorte-Ixe; STPS

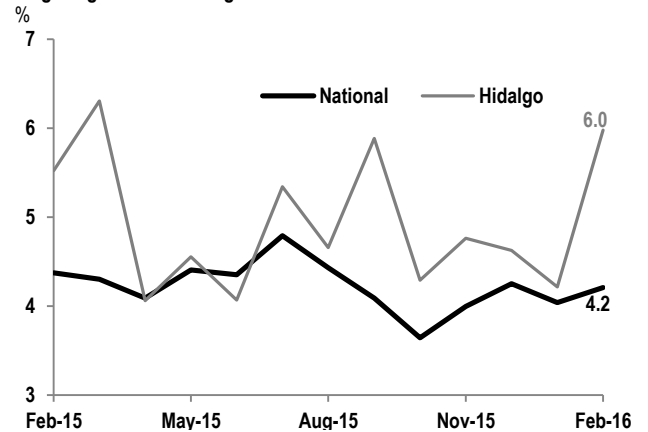
Slightly below the national average are Campeche, Chihuahua, Morelos and Nuevo Leon as shown in the upper graph. Meanwhile, Hidalgo stands out as the entity with the highest wage increase (+6%). Year-to-date Hidalgo favored wages for their workers showing a 5.1% advance. Further down, the states of Zacatecas (5.2%), Michoacan (5.1%), Estado de Mexico (4.8%) and Veracruz (4.7%), also had firms that increased wages for their workers well above the national average. Moreover, Colima stands out as the only entity without any wage revision; however, Colima had a 6.4% wage increase in January.

**Higher and lower contractual wage negotiations**

	%	Workers	Year-to-date	
			Jan-Feb, '16	Workers
National	4.2	212,526	4.1	397,960
Hidalgo	6.0	2,400	5.1	3,934
Zacatecas	5.2	814	5.3	1,012
Michoacán	5.1	4,640	5.1	5,135
Estado de México	4.8	11,751	4.6	24,484
Veracruz	4.7	2,910	4.6	5,789
Colima	--	--	6.4	817
Quintana Roo	3.0	100	4.0	377
Durango	3.1	880	3.9	1,963
Tlaxcala	3.5	567	3.7	1,262
Oaxaca	3.7	377	3.9	444

Source: Banorte-Ixe; STPS

**Wage negotiations: Hidalgo**



Source: Banorte-Ixe; STPS

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