

Wage negotiations – Salaries increase 5.6% in February

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- The Ministry of Labor just published the contractual wage negotiation figures for February
- Wage negotiations (February) 5.6%; Banorte: 5.1%; previous: 4.7%
- Salaries in the private sector rose 5.9%, although in the public sector they increased 3.4%
- We highlight the 6.4% growth in the industrial sector, particularly in the manufacturing sub-sector
- Looking ahead, we expect marginally lower wage negotiations
- Guanajuato stands out as the federal entity with the highest number of workers with wage increases in February 2018

Wages increased 5.6% in February. Today, the Ministry of Labor published the figures for contractual wage negotiations. During February, 210.6 thousand workers negotiated an average increase of 5.6%, above our 5.1% forecast. It is worth noting that this figure is considerably higher than the 4.7% seen in January.

In the first two months of the year, 358.7 thousand workers have been benefited by an average increase of 5.2%, greater than the 4.4% seen in the same period of 2017. However, 22.4 thousand less workers have received a wage increase in January and February of this year 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, 190,103 employees got a 5.9% increase in their wages. Moreover, 20,490 workers in the public sector received an average growth of 3.4% (as shown in the table below).

Contractual wage negotiations

Nominal, %yoy	Feb-18	Jan-18	Jan-Feb, 18	Jan-Feb, 17
Total	5.6	4.7	5.2	4.4
Public	3.4	3.7	3.6	3.1
Private	5.9	5.3	5.6	4.7

Number of workers

	2018	2017	2018	2017
Total	210,593	148,106	358,699	381,122
Public	20,490	49,739	70,229	68,491
Private	190,103	98,367	288,470	312,631

Year-to-date's share of workers

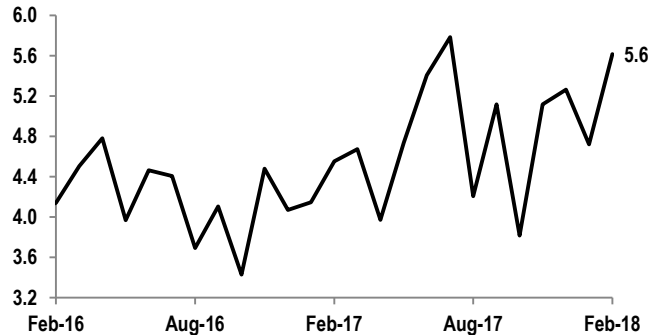
	2018	2017
Total	58.7	41.3
Public	29.2	70.8
Private	65.9	34.1

Source: Ministry of Labor

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Contractual wage negotiations

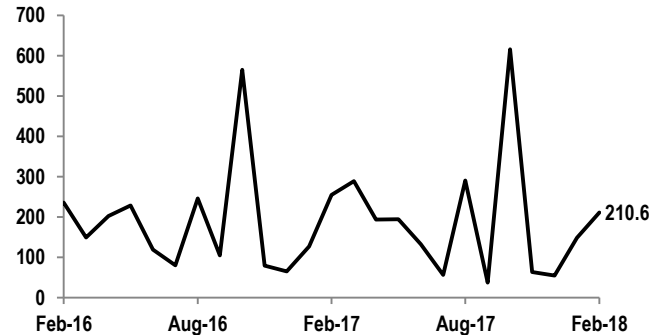
% yoy, nominal



Source: Ministry of Labor, Banorte

Workers receiving a wage increase

thousands



Wages in the industrial sector increased 6.4%. Taking a look at the breakdown, we highlight the average raise of 6.4% to 95,798 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the mining sector amounting to 7.4%, benefitting 1,549 employees.

Services sector posted a 4.8% average increase, benefitting the most workers out of any sector. Within the sector, wage negotiations in the financial and real estate sub-sector posted the highest average raise reaching 5.8%, while benefitting 14,387 workers. On the other hand, the transport, storage and communications subsector furthered 4.8% the wages of 35,099 employees. In the commerce sector posted an average 5.3% raise to 34,712 staff members.

Contractual wage negotiations by sector

	February 2018		Jan-Feb, 18		Jan-Feb, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	6.4	97,564	6.2	138,215	5.1	155,648
Mining	7.4	1,549	6.0	3,663	5.3	10,796
Manufacturing	6.4	95,798	6.2	133,840	5.1	144,541
Construction	0.0	0	5.4	485	4.1	170
Utilities	3.3	217	3.3	227	3.3	141
Services	4.8	111,394	4.6	217,721	3.9	222,916
Commerce	5.3	34,712	5.3	40,550	4.3	38,142
Transport, storage and communications	4.8	35,099	4.8	75,940	4.3	79,964
Financial and real estate services	5.8	14,387	5.8	27,881	4.2	34,892
Other	3.8	27,196	3.6	73,350	3.2	69,918
Agricultural	9.0	1,635	9.0	2,763	5.2	2,558

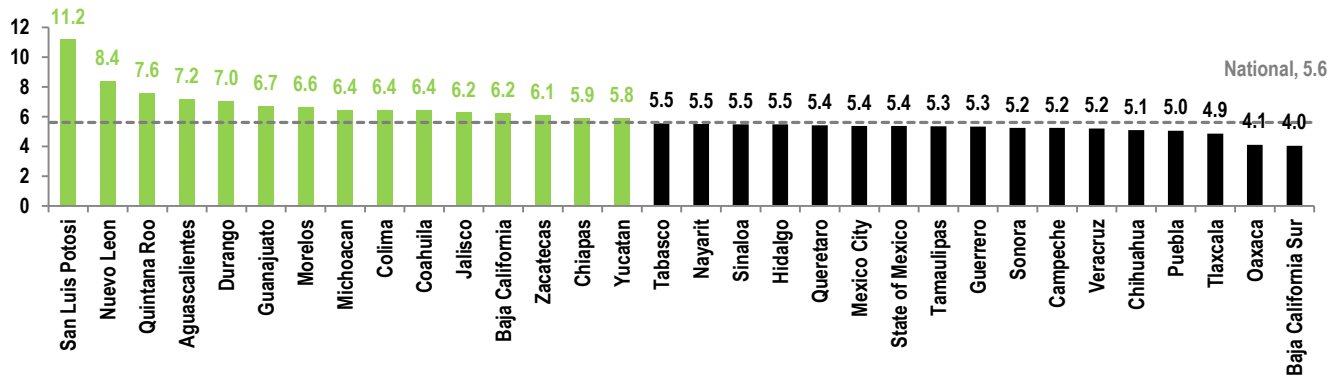
Source: Ministry of Labor

We expect marginally lower increases in salaries in the coming months. 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 put an upward pressure on wage negotiations in the first half of 2018.

At the regional level

Guanajuato stands out as the federal entity with the highest number of workers with wage increases in February 2018. In the second month of 2018, 15 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.6% weighted average, as shown in table below.

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



Source: Banorte; Ministry of Labor

Guanajuato stands out as the entity with the most workers benefitting from a wage revision during February (21,393 workers). In this context, wage negotiations in this state increased 6.7%, as shown in the following table. Year-to-date, 24,097 workers have furthered their wage by an average of 6.8%. However, Chiapas, Quintana Roo, Oaxaca, Campeche, and Nayarit showed the smallest number of workers with wage negotiations in the second month of 2018.

On the other hand, San Luis Potosi was the entity with the highest wage increase in the month (+11.2%), being the highest salary increase observed since October 2005. It is important to remark that, this raise benefited 6,622 workers. Year-to-date, 6,871 workers in the state saw their salary increase by an average of 6%, as shown in the table on the right. Further down, the states of Nuevo Leon (8.4%), Quintana Roo (7.6%), Aguascalientes (7.2%), and Durango (7%), 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			
	Workers	%	Workers	Jan-Feb '18
National	94,562	5.6	5.2	129,633
Guanajuato	21,393	6.7	6.8	24,097
State of Mexico	14,296	5.4	5.6	21,192
Coahuila	7,903	6.4	6.2	8,513
Mexico City	7,545	5.4	5.4	11,618
San Luis Potosi	6,622	11.2	10.9	6,871
Chiapas	224	5.9	7.8	813
Quintana Roo	143	7.6	6.7	213
Oaxaca	104	4.1	4.1	104
Campeche	34	5.2	4.9	197
Nayarit	20	5.5	5.0	289

Source: Banorte; Ministry of Labor

Higher and lower contractual wage negotiations

	Year-to-date			
	% oya	Workers	Jan-Feb '18	Workers
National	5.6	94,562	869	129,633
San Luis Potosi	11.2	6,622	6	6,871
Nuevo Leon	8.4	391	11	3,904
Quintana Roo	7.6	143	4	213
Aguascalientes	7.2	1,471	11	2,518
Durango	7.0	491	3	546
Chihuahua	5.1	1,862	13	3,037
Puebla	5.0	1,671	28	3,661
Tlaxcala	4.9	616	12	1,422
Oaxaca	4.1	104	4	104
Baja California Sur	4.0	399	3	399

Source: Banorte; Ministry of Labor

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