

# Wage negotiations – Salaries increase 5.7% in May

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- **The Ministry of Labor just published the contractual wage negotiation figures for May**
- **Wage negotiations (May) 5.7%; Banorte: 4.8%; previous: 4.6%**
- **Salaries in the private sector rose 5.9%, although in the public sector they only increased 3.4%**
- **We highlight the 6.3% growth in the industrial sector, particularly in the manufacturing sub-sector**
- **Looking ahead, we continue to expect upward pressures in wage negotiations**
- **For the second consecutive month, the State of Mexico stands out as the federal entity with the highest number of workers with wage increases in May 2018**

**Wages increased 5.7% in May.** Today, the Ministry of Labor published the figures for contractual wage negotiations. During May, 153.2 thousand workers negotiated an average increase of 5.7%, above our 4.8% forecast. It is worth noting that this figure is significantly higher than the 4.6% seen in April.

In the first five months of the year, 974.3 thousand workers have benefited by an average increase of 5.2%, greater than the 4.5% seen in the same period of 2017. However, 83.6 thousand less workers have received a wage increase in comparison to last year.

The wage negotiations during the month were mainly explained by a greater number of workers in the private sector who got a raise vs. April. On average, 141,163 employees got a 5.9% increase in their wages. Moreover, 12,009 workers in the public sector received an average raise of only 3.4% (as shown in the table below).

## Contractual wage negotiations

% yoy in nominal terms; number of workers

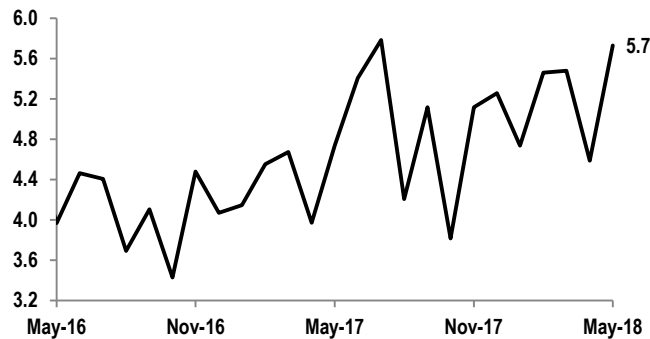
%yoy in nominal terms	May-18	Mar-18	Jan-May, 18	Jan-May, 17
<b>Total</b>	<b>5.7</b>	<b>4.6</b>	<b>5.2</b>	<b>4.5</b>
Public	3.4	3.4	3.5	3.1
Private	5.9	5.3	5.6	4.7
<b>Number of workers</b>				
<b>Total</b>	<b>153,172</b>	<b>230,297</b>	<b>974,294</b>	<b>1,057,856</b>
Public	12,009	89,652	173,593	178,039
Private	141,163	140,645	800,701	879,817
<b>Year-to-date's share of workers</b>				
<b>Total</b>	<b>15.7</b>	<b>23.6</b>		
Public	6.9	51.6		
Private	17.6	17.6		

Source: Ministry of Labor

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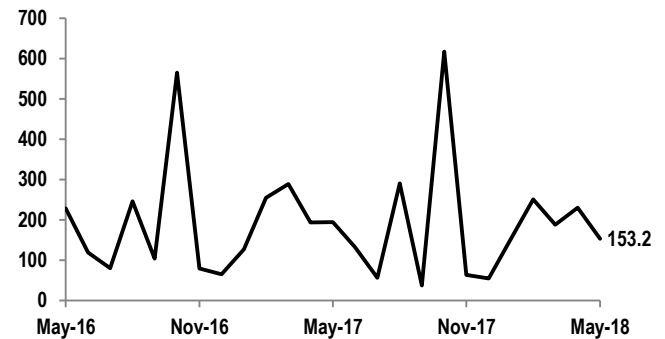
### Contractual wage negotiations

% yoy, nominal



### Workers receiving a wage increase

thousands



Source: Ministry of Labor, Banorte

**Wages in the industrial sector increased 6.3%, benefitting the most workers out of any sector.** Taking a look at the breakdown, we highlight the average raise of 6.3% to 82,829 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the mining sector amounting to 6.5%, benefitting 1,679 employees.

**Services sector posted a 5% average increase.** Within the sector, wage negotiations in commerce posted the highest average raise reaching 5.5%, while benefitting 8,787 workers. On the other hand, the transportation, storage and communications sub-sector furthered 5% the wages of 21,151 employees. In addition, the “others” sector posted a 4.5% raise to 17,156 staff members, given the 3.9% boost to 8,731 workers in the healthcare and social assistance.

### Contractual wage negotiations by sector

	May 2018		Jan-May, 18		Jan-May, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
<b>Industrial</b>	<b>6.3</b>	<b>84,575</b>	<b>5.6</b>	<b>501,080</b>	<b>4.8</b>	<b>560,682</b>
Mining	6.8	1,679	6.2	9,864	5.4	26,245
Manufacturing	6.3	82,829	6.0	400,319	5.1	440,660
Construction	5.0	40	5.1	1,025	4.3	1,177
Utilities	3.9	27	3.4	89,872	3.1	92,600
<b>Services</b>	<b>5.0</b>	<b>67,745</b>	<b>4.8</b>	<b>468,198</b>	<b>4.1</b>	<b>492,578</b>
Commerce	5.5	8,787	5.1	93,481	4.3	86,646
Transport, storage and communications	5.0	21,151	4.8	186,908	4.1	200,149
Financial and real estate services	5.2	20,651	5.5	74,140	4.2	86,665
Other	4.5	17,156	4.0	113,669	3.7	119,118
<b>Agricultural</b>	<b>6.7</b>	<b>852</b>	<b>7.6</b>	<b>5,016</b>	<b>5.4</b>	<b>4,596</b>

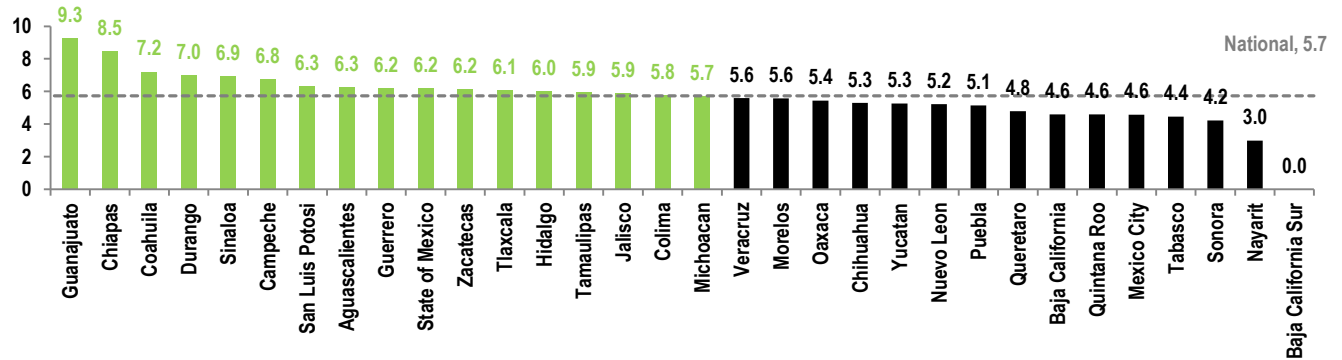
Source: Ministry of Labor

**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*

**For the second consecutive month, the State of México stands out as the federal entity with the highest number of workers with wage increases.** In the fifth month of 2018, 17 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.7% national weighted average. It is worth noting there are 62,116 workers who work in more than one entity, which received an average increase of 5.1%, which is not considered in the regional analysis.

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



Source: Banorte; Ministry of Labor

For the second consecutive month, the State of México stands out as the entity with the most workers benefitting from a wage revision during May (22,184 workers). In this context, wage negotiations in this state increased 6.2% (as shown in the table on next page). Year-to-date, 71,888 workers have furthered their wage by an average of 5.9%. By contrast, Baja California Sur, Campeche, Nayarit, Colima, and Zacatecas showed the smallest number of workers with wage negotiations in the fifth month of 2018.

Moreover, Guanajuato was the entity with the highest wage increase in the month (+9.3%), the highest since January 2002. It is important to highlight that this raise benefited 7,429 workers, mostly from the public sector. Year-to-date, 56,848 workers in the state have seen their salary increased by an average of 6.9%, as shown in the next page table on the right. Further down, the states of Chiapas (8.5%), Coahuila (7.2%), Durango (7%), and Sinaloa (6.9%), also had firms that furthered wages for their workers above the national average, as shown in the next page table on the right.

**Higher and lower workers with contractual wage negotiations**
**Higher and lower contractual wage negotiations**

	Year-to-date					Year-to-date			
	Workers	%	Workers	Jan-May '18		% oya	Workers	Jan-May '18	Workers
<b>National</b>	<b>91,056</b>	<b>5.7</b>	<b>5.2</b>	<b>412,557</b>	<b>National</b>	<b>5.7</b>	<b>91,056</b>	<b>3,165</b>	<b>412,557</b>
State of Mexico	22,184	6.2	5.9	71,888	Guanajuato	9.3	7,429	189	56,848
Coahuila	8,974	7.2	5.6	31,651	Chiapas	8.5	575	41	2,786
Mexico City	8,107	4.6	5.3	34,732	Coahuila	7.2	8,974	80	31,651
Guanajuato	7,429	9.3	6.9	56,848	Durango	7.0	406	14	1,141
Tamaulipas	7,058	5.9	6.2	11,334	Sinaloa	6.9	934	50	5,287
Zacatecas	181	6.2	5.9	2,981	Mexico City	4.6	8,107	615	34,732
Colima	162	5.8	6.4	4,105	Tabasco	4.4	813	29	1,430
Nayarit	43	3.0	5.4	406	Sonora	4.2	380	69	11,181
Campeche	10	6.8	5.0	995	Nayarit	3.0	43	8	406
Baja California Sur	--	--	5.6	3,239	Baja California Sur	--	--	16	3,239

Source: Banorte; Ministry of Labor

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