

## Wage negotiations – 5.2% growth driven in part by the above-average minimum wage increase

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- **The Ministry of Labor published contractual wage negotiations for January**
- **Wage negotiations (January): 5.2%; Banorte: 5.0%; previous: 6.7%**
- **Workers in the private sector saw their wages increase 5.7%, while employees in the public branch only got a 3.3% raise**
- **We highlight the 6% increase in the industrial sector, driven by negotiations in manufacturing**
- **We believe that part of the increase is explained by the above-average minimum wage increase which came into effect on January 1<sup>st</sup>**
- **Looking ahead, we continue to expect upward pressures in wages given the minimum wage increase as well as a catch-up effect due to high inflation in recent years**
- **Baja California Sur stood out as the federal entity with the highest average salary increase of the country**

**Wages increased 5.2 % in January.** It is worth noting that this figure was below the revised 6.7% from the previous month but above the 4.1% seen in January 2017. This raise resulted from 787 negotiations that benefited 154,821 workers, 3,220 more than in the same month of last year.

In this context, it should be noted that the minimum wage increase for 2018 was around 10% and inflation closed 2017 at 6.8%. Taking into account that inflation for YE18 stood at 4.8% and that the minimum wage increase was 16% expect in the northern border –where it was 100%–, we believe the monthly dynamic was explained in large part due to the second factor.

Taking a look at the breakdown, 122,476 employees in the private sector got an average raise of 5.7%. Moreover, 32,345 workers in the private branch received a 3.3% increase (see table below).

### Contractual wage negotiations

%; number of workers

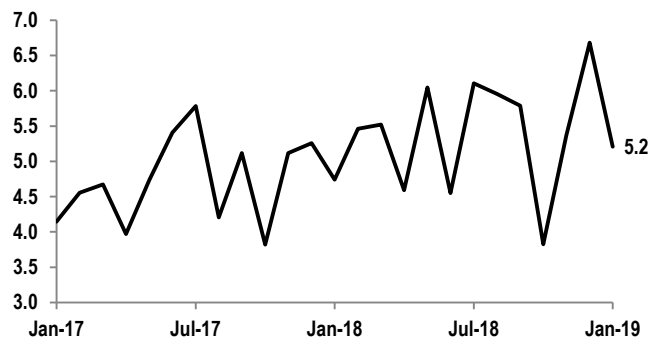
% nominal	Jan-19	Dec-18	2018	2017
<b>Total</b>	<b>5.2</b>	<b>6.7</b>	<b>4.9</b>	<b>4.4</b>
Public	3.3	4.4	3.7	3.1
Private	5.7	6.7	5.7	5.1
<b>Number of workers</b>				
<b>Total</b>	<b>154,821</b>	<b>58,149</b>	<b>2,375,291</b>	<b>2,309,962</b>
Public	32,345	30	813,695	806,225
Private	122,476	58,119	1,561,596	1,503,737

Source: Ministry of Labor

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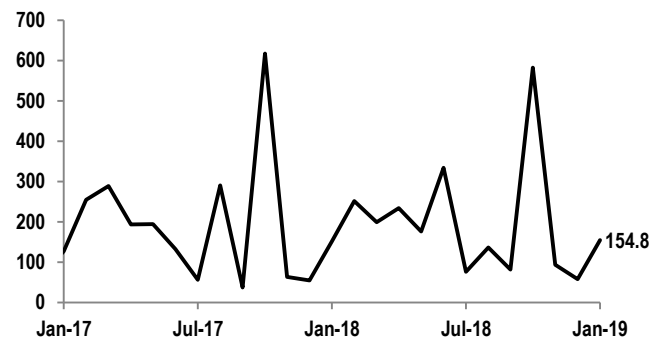
### Contractual wage negotiations

% yoy, nominal



### Workers receiving a wage increase

thousands



Source: Ministry of Labor

**Wages in the industrial sector during the month increased 6.0%, benefitting 63,554 workers.** Taking a look at the breakdown, most workers with a raise work in manufacturing (61,789), receiving an increase in line with the headline figure for the sector. We also highlight the 5.0% increase for 1,299 employees in construction and 6.6% for 293 miners.

**Services sector wages' posted a 4.7% average growth for 88,770 workers.** Within the sector, the highest increase was 6.8% for 6,160 thousand workers in commerce. Nevertheless, the subsector with the most workers benefited was transportation with a 5.3% raise to 40,037 employees.

### Contractual wage negotiations by sector

	January 2019		2018		2017	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
<b>Industrial</b>	<b>6.0</b>	<b>63,554</b>	<b>5.5</b>	<b>1,126,482</b>	<b>4.8</b>	<b>1,114,911</b>
Mining	6.6	293	3.9	195,677	3.6	200,758
Manufacturing	6.0	61,789	6.1	837,057	5.3	816,361
Construction	5.0	1,299	5.1	1,665	4.3	2,965
Utilities	4.7	173	3.5	92,083	3.2	94,827
<b>Services</b>	<b>4.7</b>	<b>88,770</b>	<b>4.4</b>	<b>1,240,040</b>	<b>4.0</b>	<b>1,185,802</b>
Commerce	6.8	6,160	5.5	146,324	4.9	135,421
Transport, storage and communications	5.3	40,037	4.9	328,695	4.6	311,346
Financial and real estate services	4.2	11,311	5.5	124,986	4.2	107,122
Other	3.6	31,262	3.7	640,035	3.4	631,913
<b>Agricultural</b>	<b>5.6</b>	<b>2,497</b>	<b>7.1</b>	<b>8,769</b>	<b>5.1</b>	<b>9,249</b>

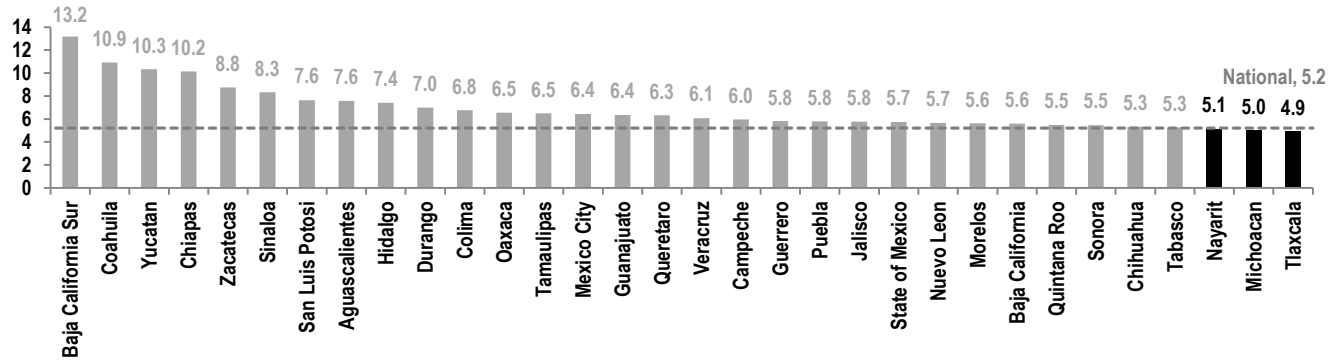
Source: Ministry of Labor

**Looking ahead, we continue to expect upward pressures in wage negotiations.** Going forward, we believe that negotiations will remain pressured to the upside given the 16.2% minimum wage increase already described. In addition, there could also be a catch-up effect given persistently high inflation in the last two years. Nevertheless this could be partially offset by greater slack in the labor market due to the increase in the unemployment rate.

At a state level

**Baja California Sur stood out as the federal entity with the highest average salary increase in the country.** It is worth noting there are 59,702 workers who work in more than one entity, which received an average increase of 4.6% during the month. However, these are not considered in the regional analysis. A total 29 of the 32 states in Mexico showed a wage increase above or in line with the 5.2% national weighted average.

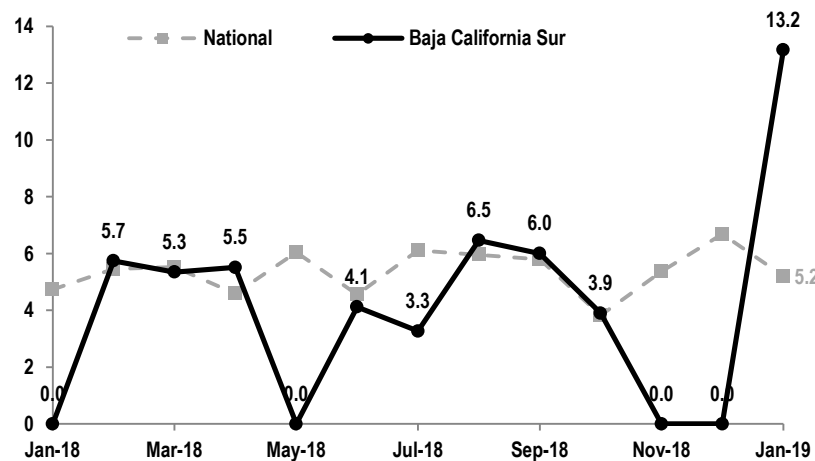
**Contractual wage negotiations by federal entity: January 2019**  
% in nominal terms



Source: Banorte; Ministry of Labor

In this context, we observe that Baja California Sur registered the highest average salary increase of the country (+ 13.2% nominal terms), as seen in the following graph. This was achieved through only 1 negotiation for a total of 180 workers in the state. We highlight that this increase has not been seen since July 2014. In 2018, a total of 4,390 workers saw their salary increase by an average of 5.8%.

**Salary increase in Baja California Sur**  
%



Fuente:

Moreover, Coahuila (10.9%), Yucatan (10.3%), Chiapas (10.2%), and Zacatecas (8.8%), had firms that furthered wages for their workers above the national average, as shown in the table below on the right.

On the other hand, the State of México stands out as the entity with the most workers benefitting from revisions (12,348 workers). In this context, wage negotiations in this state increased 5.7% through 92 negotiations. By contrast Quintana Roo, Campeche, Zacatecas, Yucatan, and Oaxaca showed the lowest number of workers with salary benefits in the country.

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

	Year-to-date				Year-to-date				
	Workers	%	Workers	Jan-Dec '18	% oya	Workers	Jan-Dec '18	Workers	
<b>National</b>	<b>59,702</b>	<b>5.2</b>	<b>4.9</b>	<b>814,933</b>	<b>National</b>	<b>5.2</b>	<b>59,702</b>	<b>6,199</b>	<b>814,933</b>
State of Mexico	12,348	5.7	5.9	136,594	Baja California Sur	13.2	180	27	4,390
Guanajuato	9,162	6.4	8.1	98,789	Coahuila	10.9	1,829	159	73,885
Michoacan	5,743	5.0	6.1	17,523	Yucatan	10.3	88	79	6,285
Chihuahua	5,619	5.3	6.3	14,546	Chiapas	10.2	92	76	5,481
Mexico City	5,287	6.4	5.3	67,663	Zacatecas	8.8	88	44	11,521
Oaxaca	92	6.5	4.4	2,733	Chihuahua	5.3	5,619	106	14,546
Yucatan	88	10.3	5.0	6,285	Tabasco	5.3	100	55	3,324
Zacatecas	88	8.8	6.2	11,521	Nayarit	5.1	273	15	651
Campeche	73	6.0	4.5	2,044	Michoacan	5.0	5,743	146	17,523
Quintana Roo	24	5.5	4.8	3,122	Tlaxcala	4.9	1,805	70	11,059

Source: Banorte; Ministry of Labor

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