

# Wage negotiations – Wage increase of 4.6% in August

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- **Wage negotiations (August): 4.6%; Banorte-Ixe: 4.5%; previous: 4.8%**
- **Wages in the private sector increased 4.6%, while in the public sector workers negotiated on average a 3.3% raise**
- **Looking ahead, we believe that the favorable performance in real wages will support consumption**

**Wage negotiations in August came in at 4.6% in nominal terms (Banorte-Ixe: 4.5%).** The negotiations in August were above the 4.3% average observed year-to-date. We highlight that August’s figure was derived from a 4.6% increase in private sector wages, coupled with an increase of 3.3% in the public sector. Moreover, most of the negotiations were conducted in the private sector (684 of the 690 negotiations that took place), with the bulk of workers also belonging to this sector (81,290 of the 82,175 workers), as shown in the following table.

**Contractual wage negotiations**  
% oya

Nominal	Aug-15	Jul-15	Jan-Aug, 15	Jan-Aug, 14
<b>Total</b>	<b>4.6</b>	<b>4.8</b>	<b>4.4</b>	<b>4.3</b>
Public	3.3	--	3.0	3.7
Private	4.6	4.8	4.5	4.5

**Number of workers, thousands**

<b>Total</b>	<b>82</b>	<b>43</b>	<b>1,263</b>	<b>1,386</b>
Public	1	--	185	402
Private	81	43	1,078	984

Source: Banorte-Ixe; Ministry of Labor

**4.4% increase in wages within the industrial sector was below the 5% observed in August 2014.** In the mining sector, wage increases were in the area of 5.2%, below the ones negotiated in August 2014 (6.1%), figure that probably was mainly driven –according to our monthly wages monitoring- by wage increases in the *National Mining Union (ArcelorMittal)*, benefiting more than 2,000 workers. Moreover, in the manufacturing sector, wages increased 4.7% vs. 4.8% observed in the same period of 2014 and we believe was partially driven by the increase in the automotive sector, specifically in the *Volkswagen’s Union*. Finally, in the construction sector, were conducted negotiations in the area of 4%.

**Bargaining processes in the services sector resulted slightly below the ones obtained in August 2014 (4.1% vs. 4.5%).** In the financial services sector, wages improved 4.3%, significantly above the 3.2% in August 2014. Moreover, workers in the professional services sector negotiated wages by 4.2%, in line with the observed in August 2014. Similarly, in transportation, storage and communications sector, wage increases were at 4.3%, above the 4% figure observed last year. In the retail sector, wage increases were up 4.7% vs. the 4.6% observed in the same month of 2014.

**Finally in the agricultural sector, negotiations were conducted in the area of 4.2%.** We highlight that this figure is in line with the average observed year-to-date, as shown in the following table.

**Contractual wage negotiations in August 2015**

	Year-to-date				
	% oya	Workers	% oya	Workers	2014
<b>Total</b>	<b>4.6</b>	<b>82,175</b>	<b>4.3</b>	<b>1,262,541</b>	<b>4.1</b>
Public	3.3	885	3.4	184,609	3.6
Private	4.6	81,290	4.5	1,077,932	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.4</b>	<b>54,006</b>	<b>--</b>	<b>681,144</b>	<b>--</b>
Mining	5.2	2,513	5.5	21,659	4.2
Manufacturing	4.7	50,896	4.6	562,788	4.5
Construction	4.0	275	4.3	1,932	4.5
Utilities	3.8	322	3.4	94,765	3.5
<b>Services</b>	<b>4.1</b>	<b>27,592</b>	<b>--</b>	<b>574,406</b>	<b>--</b>
Commerce	4.7	6,111	4.3	114,429	4.3
Transport, storage and communications	4.3	11,322	4.0	98,821	3.9
Financial services	4.3	2,568	4.6	101,612	4.6
Other	4.0	7,591	4.7	259,544	4.6
<b>Agricultural</b>	<b>4.2</b>	<b>577</b>	<b>4.2</b>	<b>6,991</b>	<b>4.3</b>

Source: Banorte-Ixe; Ministry of Labor

**In our opinion, the favorable increase in real wages continues estimate better consumption dynamism ahead.** We continue to believe that increases in contractual wages year-to-date respond mostly to a recovery period of lost productivity, and do not imply that firms perceive greater inflationary pressures. Given that inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.82%, this leads to an expected increase in real wages.

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