

Wage negotiations –Revisions within manufacturing sector explained the 4.6% increase in November

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- **Wage negotiations (November): 4.5%; Banorte-Ixe: 4.7%; previous: 3.4%**
- **Salaries in the private sector rose 4.5%, while the increases in the public sector rose 3.8%**
- **The 4,9% increase in wages within the manufacturing industry mostly explained November's overall figure**
- **Only 3.3% of the negotiations carried out within the year took place in November**
- **State of Mexico stands out as the federal entity with the highest number of workers with wage negotiations**

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4.5% increase of wages in November, slightly below our 4.7% estimate. In addition, wage growth in November stood above the 4.0% average growth observed year-to-date (as shown in the chart below). Despite the 3.8% growth of public workers' salaries, November's figure was boosted by the 4.5% growth of private sector wages.

The number of workers who negotiated a salary increase in November only represents 3.3% of all wage negotiations in the year. We highlight the low number of wage negotiations in the public sector, which only benefitted 5,413 workers, while in the private sector, 70,814 workers' salaries were furthered

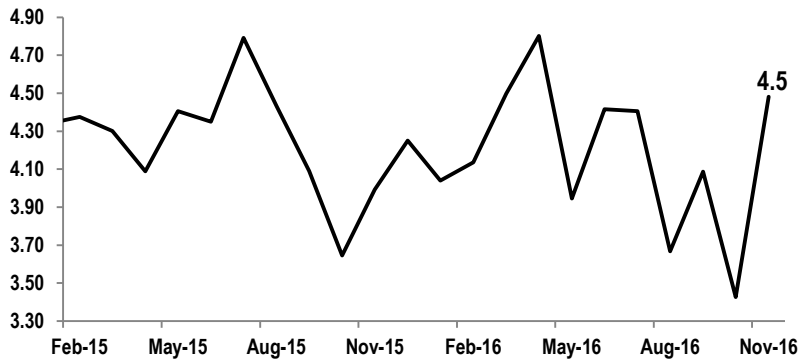
Contractual Wage Negotiations

% yoy				
Nominal	Nov-16	Oct-16	Jan-Nov'16	Jan-Nov'15
Total	4.5	3.4	4.0	4.1
Public	3.8	3.1	3.1	3.5
Private	4.5	4.9	4.5	4.5
In real terms				
Total	1.1	0.4	1.2	1.3
Public	0.5	0.0	0.2	0.9
Private	1.2	1.8	1.8	1.6
Number of workers, thousands				
Total	71	564	2,179	2,191
Public	5	451	828	821
Private	66	113	1,351	1,370
Share of workers				
Total	3.3	25.9	100	--
Public	0.7	54.4	38.0	--
Private	4.9	8.4	62.0	--

Source: Banorte-Ixe; Ministry of Labor

Contractual wage negotiations

%, in nominal terms



Source: Banorte-Ixe; Ministry of Labor

4.2% growth of the industrial sector wages. Within the sector, the manufacturing subsector showed the highest growth, both in wage growth and workers benefitted, with an average increase in salaries of 4.9% to 36,108 workers. However, the other subsectors wage increases only applied to 1,019 employees.

The services sector posted a 4.3% growth. The best performing subsector was that of transportation, storage and communication, which posted a 4.1% average salary increase for 20,656 workers.

Finally, in the agricultural sector no negotiations took place. Despite this, the sector has been the one with the highest salary increases within the year, unfortunately, these have only benefited 7,950 workers.

Contractual Wage Negotiations in November 2016

	Year-to-date				
	% yoyl	Workers	% yoy	workers	2015
Total	4.5	70,814	4.0	2,178,873	4.1
Public	3.8	5,413	3.1	827,944	3.5
Private	4.5	65,401	4.5	1,350,929	4.5
Breakdown by sector					
Industrial	4.2	37,127	4.3	1,026,326	4.5
Mining	3.9	840	4.7	186,149	5.0
Manufacturing	4.9	36,108	4.6	742,894	4.6
Construction	4.1	25	4.3	1,746	4.4
Utilities	3.8	154	3.5	95,537	3.8
Services	4.3	33,687	4.2	1,144,597	4.2
Commerce	4.6	4,876	5.8	117,150	5.1
Transport, storage and communications	4.1	20,656	4.1	193,844	4.1
Financial services	4.8	1,244	4.2	116,275	4.5
Others	4.3	6,911	4.1	717,328	4.1
Agricultural	--	--	8.2	7,950	6.4

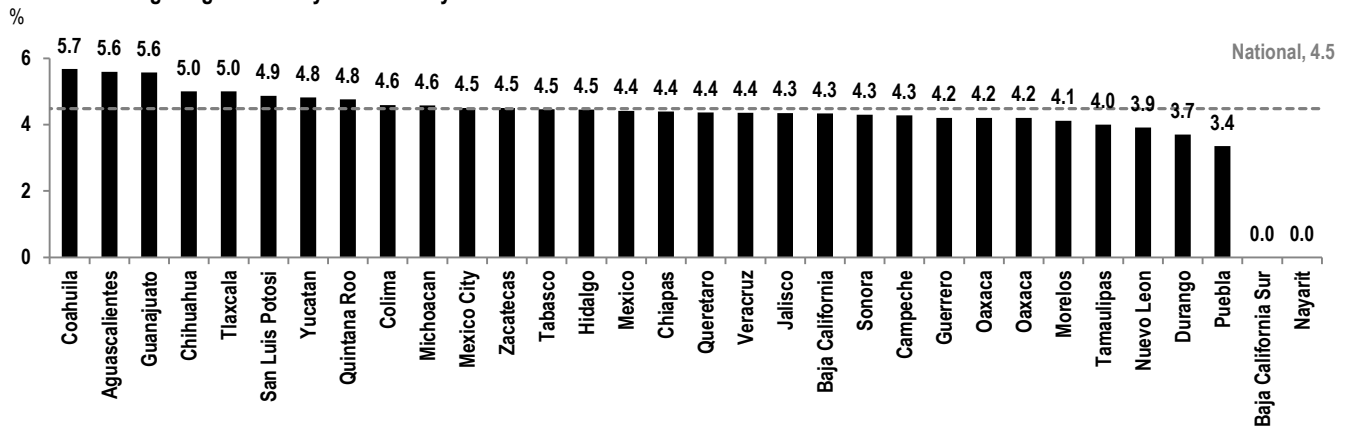
Source: Banorte-Ixe; Ministry of Labor

We consider that the minimum wage increase will have a marginal impact on the wage negotiations of 2017. Despite the 9.58% increase in the minimum wage, we expect that general wage negotiations will not be impacted in the same magnitude. However, the higher inflationary expectations from consumers after the electoral result in the US will probably have a higher incidence in wage negotiations.

From our regional economist

State of Mexico stands out as the federal entity with the highest number of workers with wage negotiations. In November, 14 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 4.5% weighted average, as shown in the chart below.

Contractual wage negotiations by federal entity: November 2016



Source: Banorte-Ixe; Ministry of Labor

State of Mexico stands out as the federal entity with the highest number of workers that benefited from wage revisions during November (6,546 workers). In this regard, wage negotiations in this federal entity increased 4.4%, as shown in the following table. In addition, workers in the state of Baja California and Nayarit didn't had wage negotiations.

Coahuila stands out as the entity with the highest wage increase (+5.7%). However, it only benefited 6,036 workers. Further down, the states of Aguascalientes and Guanajuato (5.6%), Chihuahua and Tlaxcala (5%), also had firms that increased wages for their workers well above the national average.

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

	Year-to-date			Year-to-date			Year-to-date		
	Workers	%	Jan-Nov, '16	Workers	% oya	Workers	Jan-Nov, '16	Workers	
National	70,814	4.5	4.0	2,178,873	4.5	70,814	7,526.0	2,178,873	
State of Mexico	6,546	4.4	4.8	117,384	5.7	6,036	122.0	61,894	
Coahuila	6,036	5.7	4.6	61,894	5.6	1,456	68.0	24,091	
Mexico City	3,595	4.5	4.5	66,117	5.6	2,870	287.0	80,764	
Jalisco	3,514	4.3	4.6	37,484	5.0	18	71.0	10,171	
Guanajuato	2,870	5.6	5.0	80,764	5.0	303	45.0	7,686	
Baja California Sur	--	--	4.8	2,861	--	--	16.0	762	
Nayarit	--	--	4.1	762	--	--	28.0	2,861	
Chiapas	7	4.4	5.6	7,881	3.4	557	195.0	31,605	
Michoacan	8	4.6	4.8	18,918	3.7	65	34.0	5,534	
Sinaloa	16	4.2	4.4	6,827	3.9	1,213	122.0	33,570	

Source: Banorte-Ixe; Ministry of Labor

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