

## Wage negotiations – 26% of negotiations in the year took place in October

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- **Wage negotiations (October): 3.4%; Banorte-Ixe: 3.6%; previous: 4.1%**
- **Salaries in the private sector rose 4.9%, while the increases in the public sector rose 3.1%**
- **We highlight that 26% of the negotiations carried out within the year took place in October**
- **In addition, October's wage negotiations of workers in the public sector, which represent 80% of the workers who have negotiated an increase in the year**
- **Mexico City stands out as the federal entity with the highest number of workers with wage negotiations**

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**3.4% increase of wages in October, below our 3.6% estimate.** In addition, wage growth in October stood below the 4.1% average growth observed year-to-date (as shown in the chart below). Despite the 4.9% growth of private workers' salaries, October's figure was affected by the 3.1% growth of public sector wages.

We highlight that the number of workers who negotiated a salary increase in October represents 26% of all wage negotiations in the year. In addition, the negotiations made for the public sector workers (which encompass more than 450 thousand workers), account for 80.5% of the negotiations made within the year, as a result of the 3.5% increase in the salaries for the workers within Mexico's Social Security Institute (IMSS). On the other hand, the negotiations made for the 109 thousand workers of the private sector in October concentrated in the manufacturing and financial services subsectors.

### Contractual Wage Negotiations

% oya

Nominal	Oct-16	Sep-16	Jan-Oct'16	Jan-Oct'15
<b>Total</b>	<b>3.4</b>	<b>4.1</b>	<b>4.1</b>	<b>4.3</b>
Public	3.1	3.2	3.4	3.5
Private	4.9	4.3	4.5	4.5
<b>In real terms</b>				
<b>Total</b>	<b>0.3</b>	<b>1.1</b>	<b>1.4</b>	<b>1.4</b>
Public	0.0	0.2	0.6	0.6
Private	1.8	1.3	1.8	1.6
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>559</b>	<b>103</b>	<b>2,098</b>	<b>2,116</b>
Public	450	20.5	823	818
Private	109	82	1,275	1,299

Share of workers	Oct-16	Jan-Oct'16
<b>Total</b>	<b>26.7</b>	<b>100.0</b>
Public	80.5	20.0
Private	19.5	80.0

Source: Banorte-Ixe; Ministry of Labor

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### Contractual wage negotiations

% , in nominal terms



Source: Banorte-Ixe; Ministry of Labor

**4.4% growth of the industrial sector wages.** Within the sector, the mining and manufacturing subsectors showed the highest growth. In the mining subsector, wage growth was reported at an average of 4.9%, benefitting 6.9 thousand workers. For manufacturing industry, the average growth stood at 4.8%, but it benefitted 71.2 thousand workers. However, only 12 workers from the construction subsector and 402 from utilities negotiated a wage increase.

**The services sector posted a 4.2% growth.** Across the whole sector, 480 thousand workers negotiated an increase, of which, 459.7 thousand workers belong to the “others” category, which encompasses most of the public sector workers. In addition, the financial services’ wages grew at a 5.6% average for 10,852 workers.

#### Contractual Wage Negotiations in October 2016

	% yoyl	Workers	Year-to-date		2015
			% yoy	workers	
<b>Total</b>	<b>3.4</b>	<b>559,247</b>	<b>4.0</b>	<b>2,097,934</b>	<b>4.1</b>
Public	3.1	450,454	3.1	822,531	3.6
Private	4.9	108,793	4.5	1,275,403	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.4</b>	<b>78,551</b>	<b>5.1</b>	<b>983,076</b>	<b>4.5</b>
Mining	4.8	6,904	5.7	185,182	5.0
Manufacturing	4.9	71,233	4.4	700,790	4.5
Construction	4.0	12	6.8	1,721	4.4
Utilities	3.9	402	4.0	95,383	3.8
<b>Services</b>	<b>4.2</b>	<b>480,308</b>	<b>4.2</b>	<b>1,106,908</b>	<b>4.2</b>
Commerce	4.4	2,517	5.0	111,457	5.1
Transport, storage and communications	4.4	7,225	4.0	171,735	4.1
Financial services	5.6	10,852	4.5	114,478	4.5
Others	4.0	459,714	4.1	709,238	4.1
<b>Agricultural</b>	<b>11.5</b>	<b>388</b>	<b>5.0</b>	<b>7,950</b>	<b>6.4</b>

Source: Banorte-Ixe; Ministry of Labor

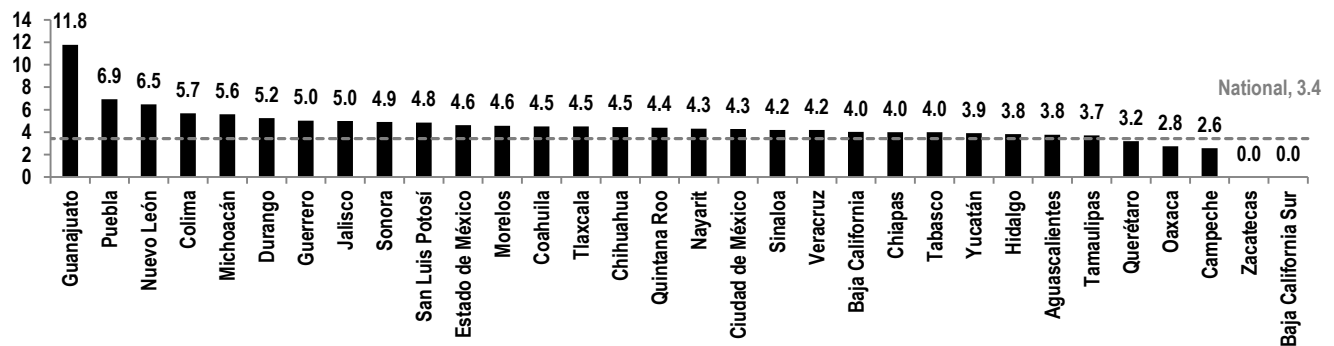
**Finally, in the agricultural sector, wages grew 11.5%.** Within the sector, 388 workers received an 11.5% average increase, above the 5% registered year-to-date.

**We consider that the recent deceleration of nominal wage growth coupled with higher levels of inflation could signal a possible stagnation in consumer spending.** Moreover, the uncertainty surrounding Donald Trump’s victory in the US election could impact both consumer confidence as well as employers’ costs through the exchange rate pass-through effect to prices

*From our regional economist*

**Mexico City stands out as the federal entity with the highest number of workers with wage negotiations.** In October, 27 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 3.4% weighted average, as shown in table below. However, we highlight that the 332 thousand IMSS workers who benefitted from the 3.5% increase in October are not incorporated in the Ministry of Labor’s regional figures.

**Contractual wage negotiations by federal entity: October 2016**  
%



Source: Banorte-Ixe; Ministry of Labor

Mexico City stands out as the federal entity with the highest number of workers that benefited from wage revisions during October (5,780 workers). In this regard, wage negotiations in this federal entity increased 4.3% as shown in the following table. In addition, workers in the state of Baja California and Zacatecas didn’t had wage negotiations.

Guanajuato stands out as the entity with the highest wage increase (+11.8%). However, it only benefited 259 workers. We highlight that it’s also the highest advance observed since Nov’02. Year-to-date, wage negotiations in this federal entity have increased 5%. Further down, the states of Puebla (6.9%), Nuevo Leon (6.5%), Colima (5.7%), and Michoacán (5.6%), 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				
	Workers	%	Jan-Oct, '16	Workers	% oya	Workers	Jan-Oct, '16	Workers
<b>National</b>	<b>559,247</b>	<b>3.4</b>	<b>4.0</b>	<b>2,097,934</b>	<b>3.4</b>	<b>559,247</b>	<b>4.0</b>	<b>2,097,934</b>
Mexico City	5,780	4.3	4.3	62,248	11.8	259	5.0	76,581
Mexico	4,698	4.6	4.9	110,719	6.9	1,082	4.9	31,048
Sonora	3,306	4.9	4.7	21,144	6.5	1,040	4.4	29,961
Tlaxcala	2,175	4.5	5.0	7,383	5.7	450	6.0	5,567
Michoacan	1,598	5.6	4.8	18,052	5.6	1,598	4.8	18,052
Baja California Sur	--	--	4.8	2,844	--	--	4.8	2,844
Zacatecas	--	--	5.0	12,001	--	--	5.0	12,001
Chiapas	21	4.0	5.6	7,701	2.6	177	5.8	1,352
Guerrero	25	5.0	5.8	5,489	2.8	4,245	4.8	4,245
Nayarit	32	4.3	4.1	762	3.2	229	3.2	15,979

Source: Banorte-Ixe; Ministry of Labor

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