

Wage negotiations moderate in October

November 11, 2019

- **Wage negotiations (October): 4.0%; Banorte: 4.2%; previous: 6.1%**
- **Workers in the public sector saw wages increase 3.5%, while employees in the private branch got a more significant raise of 5.8%**
- **We highlight the 6.1% increase in industry, led by mining (+7.0%) and manufacturing (+6.0%)**
- **We expect that wage revisions will continue to be pressured going forward given the impact of the minimum wage at the beginning of 2019 and high levels of inflation in previous years**
- **Nevertheless, we believe that the slight moderation, evidenced by the pace of growth in the private sector, could be explained by the strong decrease in inflation coupled with more slack in the labor market**
- **At the state level, Colima stood out as the federal entity with the highest average salary increase in the country**

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Wages increased an average of 4.0% in October. This was lower than the 6.1% advance of the previous month. This was a result of 455 negotiations that benefited 583,632 workers. Year-to-date, the average increase has been 5.3% (0.4pp above the same period of 2018), for a total of 2,294,032 employees, which is 3.2% higher than the previous year.

In line with our expectations, the share of negotiations among the public sector was higher. As is usual, during the month, workers belonging to the *IMSS* national union obtained their yearly increase, which amounted to 3.5% to around 425 thousand workers. In this regard, the public sector's total was 460,253 with a 3.5% raise. Going into the private sector, the average increase was 5.8% to 123,379 employees. It should be noted that this distortion is temporary, expecting a return to a more normal composition for the last two months of 2019. In this sense, we expect negotiations to continue growing at a pace closer to 6% in the coming months, still largely explained by the 16% increase to the minimum wage that came into force in January. For 2020's behavior, we will be on the look for the release of the minimum wage increase, which could be published in late November or early December.

Contractual wage negotiations

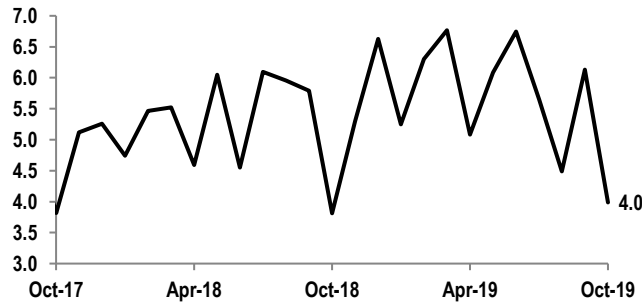
%; number of workers

% nominal	Oct-19	Sep-19	Jan-Oct '19	Jan-Oct '18
Total	4.0	6.1	5.3	4.9
Public	3.5	3.0	3.4	3.4
Private	5.8	6.4	6.3	5.7
Number of workers				
Total	583,632	52,918	2,294,032	2,223,485
Public	460,253	4,202	809,347	805,271
Private	123,379	48,716	1,484,685	1,418,214

Source: Ministry of Labor

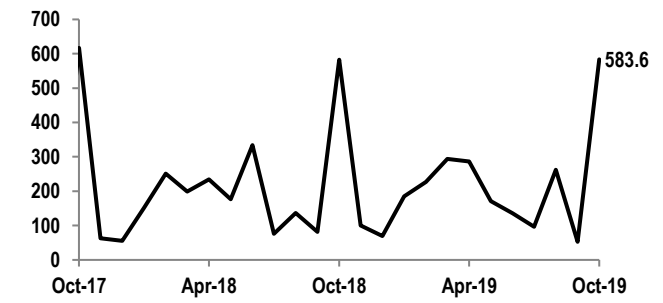
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Contractual wage negotiations
% yoy, nominal



Source: Ministry of Labor

Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industry climbed 6.1%, benefitting 80,548 workers. Taking a look at the breakdown, most workers concentrated in manufacturing (78,609), receiving an increase of 6.0%. Moreover, we highlight the 7.0% increase in mining, benefitting 2,166 workers. Last but not least, wages in utilities were up 6.2% for 63 workers, while construction edged-up 7.6% for 10 employees.

Services sector wages increased 3.7% for 502,772 workers. The strongest pick-up was in transportation, at 7.0% for 9,909 workers. Wages in commerce were up by 6.4% (5,166 workers). On the other hand, the sector with the highest number of workers benefited was 'others', with a 3.5% raise to 483,774 employees. It should be remembered that IMSS employees are accounted in this latter sector.

Contractual wage negotiations by sector

	October 2019		Jan-Oct '19		Jan-Oct '18	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	6.1	80,848	5.9	1,118,856	5.4	1,038,889
Mining	7.0	2,166	3.9	193,111	3.9	192,406
Manufacturing	6.0	78,609	6.7	826,452	6.0	752,886
Construction	7.6	10	4.8	3,339	5.1	1,655
Utilities	6.2	63	3.4	95,954	3.5	91,942
Services	3.7	502,772	4.7	1,164,788	4.4	1,176,061
Commerce	6.4	5,166	6.1	140,719	5.5	135,465
Transport, storage and communications	7.0	9,909	5.3	293,570	5.0	300,275
Financial and real estate services	5.8	3,923	6.3	102,326	5.5	111,766
Other	3.5	483,774	3.9	628,173	3.7	628,555
Agricultural	5.0	12	8.0	10,388	7.1	8,535

Source: Ministry of Labor

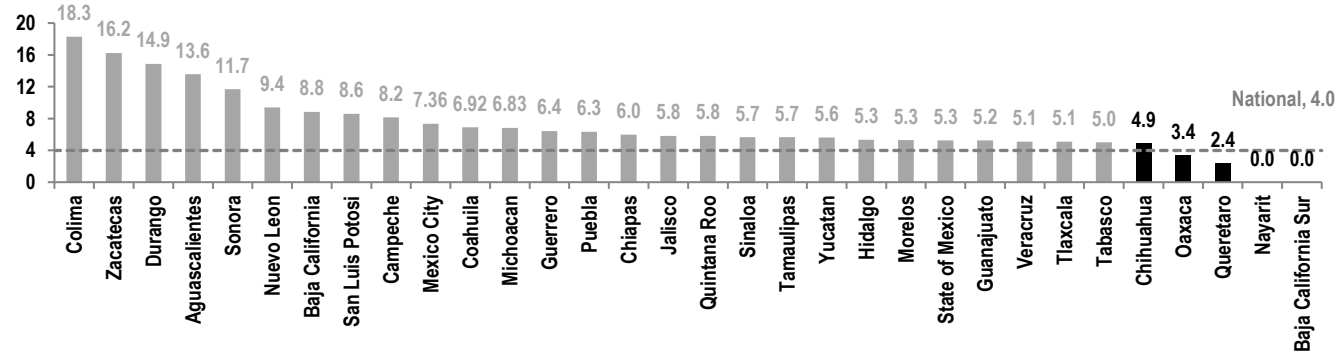
Looking forward, we believe that wage negotiations will remain under pressure. As mentioned earlier, we believe that the negotiations will continue to be pressured given the impact of the minimum wage, as well as the high levels of inflation over the past two years. However, we believe that we are starting to see a slight deceleration, evidenced by the dynamic within the private sector, which we think is explained by the significant reduction in inflation and the deceleration of economic activity.

At the state level

At the state level, Colima stood out as the federal entity with the highest average salary increase in the country. It is worth noting there are 541,468 workers who work in more than one state which received an average increase of 3.8% during the month. These are not considered in the regional analysis. Twenty-eight out of the 32 states in Mexico showed a wage hike, above or in line with the 4.0% national weighted average.

Contractual wage negotiations by federal entity: October 2019

% in nominal terms

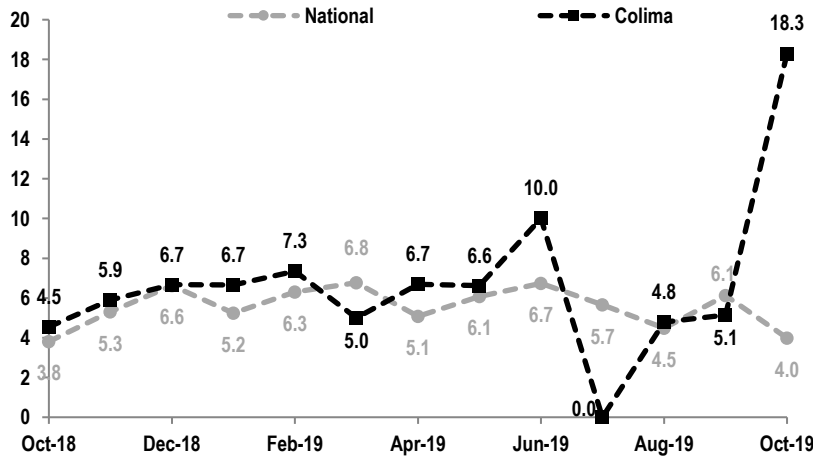


Source: Banorte; Ministry of Labor

In this context, Colima showed the highest average salary increase of the country (+18.3% nominal terms), as seen in the chart above. This is the highest advance in the state since October 1999, achieved through only 3 negotiations for a total of 44 workers. On a year-to-date basis, a total of 6,695 workers saw their salary growth by an average of 6.4%. Moreover, Zacatecas (16.2%), Durango (14.9%), Aguascalientes (13.6%), and Sonora (11.7%), had firms that furthered wages for their workers above the national average, as shown in the table below on the right.

Salary increase in Colima

%



Source: Banorte; STPS

The State of Mexico was the entity with the most workers benefitting from revisions in October. A total of 7,949 workers improved their salary perception with a 5.3% advance in nominal terms through 59 negotiations (see table below, left). In the first ten months of the year 118,082 workers have been benefited with an average salary increase of 5.8% in nominal terms. On the other hand and for the second consecutive month, no negotiations took place during the period in Nayarit and Baja California Sur. Additionally, Oaxaca showed the lowest number of workers with wage negotiation during the period, amounting only eleven.

Higher and lower workers with contractual wage negotiations

Higher and lower contractual wage negotiations

	Year-to-date				Year-to-date				
	Workers	%	Workers	Jan-Oct '19	% oya	Workers	Jan-Oct '19	Workers	
National	42,164	4.0	4.9	821,356	4.0	42,164	5,296	821,356	
State of Mexico	7,949	5.3	5.8	118,082	18.3	44	37	6,695	
Jalisco	6,436	5.8	5.9	43,844	16.2	110	33	13,895	
Puebla	6,096	6.3	5.6	40,522	14.9	2,247	32	15,028	
City of Mexico	3,026	7.4	5.3	66,441	13.6	60	86	21,673	
Coahuila	2,425	6.9	6.0	73,090	11.7	694	109	19,789	
Aguascalientes	60	13.6	5.5	21,673	4.9	1,123	111	26,719	
Colima	44	18.3	6.4	6,695	3.4	11	56	3,019	
Oaxaca	11	3.4	4.4	3,019	2.4	190	107	17,114	
Nayarit	--	--	4.9	672	--	--	16	672	
Baja California Sur	--	--	5.6	3,498	--	--	26	3,498	

Source: Banorte; Ministry of Labor

Source: Banorte; Ministry of Labor

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