

Wage negotiations gain momentum once again in September

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- **Wage negotiations (Sep): 6.2%; Banorte: 6.0%; previous: 4.5%**
- **Workers in the private sector saw wages increase 6.5%, while employees in the public branch got a more modest raise of 3.0%**
- **We highlight the 6.3% increase in industry, led by mining (+9.1%) and manufacturing (+6.2%)**
- **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 cannot rule out a slight moderation given the strong decrease in inflation coupled with more slack in the labor market**
- **Morelos stood out as the federal entity with the highest average salary increase in the country**

Wages increased an average of 6.2% in September. This was above the 4.5% advance of the previous month. This was a result of 352 negotiations that benefited 48,771 workers. Year-to-date, the average increase has been 5.8% (0.5pp above the same period of 2018), for a total of 1,677,480 employees, which is 2.2% higher than the previous year.

In line with our expectations, the share of negotiations among the private sector was higher. The advance in this group was 6.5%, benefiting 44,589 employees. Meanwhile, negotiations in the public sector amounted to 3.0% to a total 4,182 workers. This represents a return to the average composition seen throughout the year, which contrasts to the previous month's dynamics when there was a larger-than-average number of negotiations in the public sector. 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.

Contractual wage negotiations

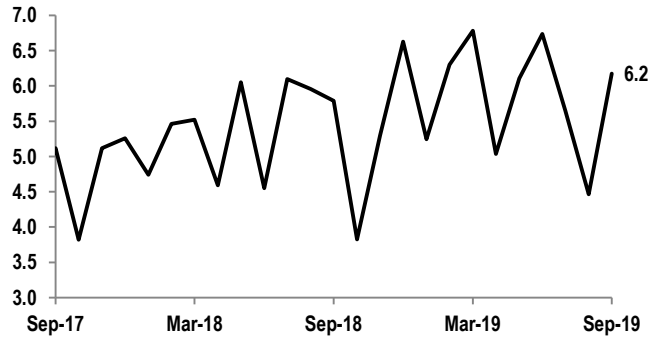
%; number of workers

% nominal	Sep-19	Aug-19	Jan-Sep '19	Jan-Sep '18
Total	6.2	4.5	5.8	5.2
Public	3.0	3.4	3.4	3.5
Private	6.5	6.3	6.4	5.7
Number of workers				
Total	48,771	257,702	1,677,480	1,640,948
Public	4,182	161,130	348,608	346,646
Private	44,589	96,572	1,328,872	1,294,302

Source: Ministry of Labor

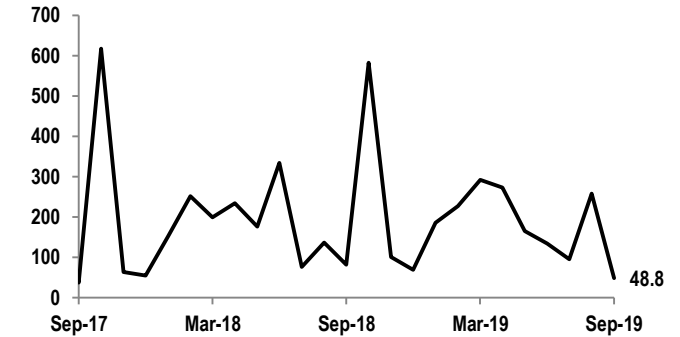
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Contractual wage negotiations
% yoy, nominal



Source: Ministry of Labor

Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industry climbed 6.3%, benefitting 30,676 workers. Taking a look at the breakdown, most workers concentrated in manufactures (30,128), receiving an increase of 6.2%. Moreover, we highlight the 9.2% increase in mining, benefitting 485 workers. Last but not least, utilities were up 6.3% for 24 workers, while construction edged-up 5.0% for 39 employees.

Services sector wages increased 5.8% for 16,484 workers. The strongest pick-up was in commerce, at 8.5% for 1,992 workers. Wages in transportation were up by 4.7% (12,986 workers) while in the financial and real estate services they increased 6.7% (1,149 employees).

Contractual wage negotiations by sector

	Sep 2019		Jan-Sep '19		Jan-Sep '18	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	6.3	30,676	5.9	1,018,148	5.4	946,854
Mining	9.1	485	3.9	189,561	3.9	191,836
Manufacturing	6.2	30,128	6.7	729,380	6.1	662,366
Construction	5.0	39	4.8	3,329	5.1	1,602
Utilities	6.3	24	3.4	95,878	3.4	91,050
Services	5.8	16,484	5.5	648,976	5.0	685,559
Commerce	8.5	1,992	6.1	132,910	5.5	130,267
Transport, storage and communications	4.7	12,986	5.3	277,563	4.9	283,834
Financial and real estate services	6.7	1,149	6.3	96,932	5.5	109,969
Other	27.1	357	4.9	141,571	4.5	161,489
Agricultural	8.0	1,611	8.0	10,356	7.1	8,535

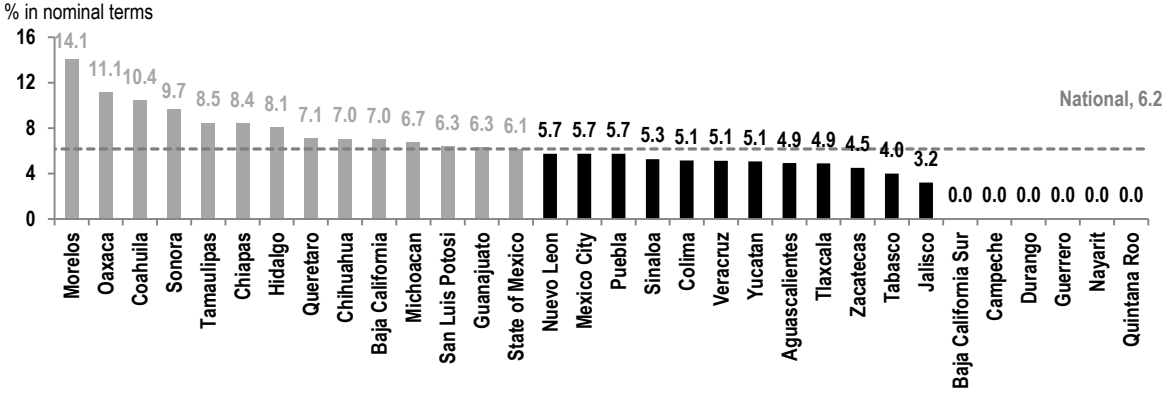
Source: Ministry of Labor

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 did not discard a moderation in 4Q19 given the significant reduction in inflation and the deceleration of economic activity, which we believe has started to translate into higher slack conditions in the labor market.

At the state level

Morelos stood out as the federal entity with the highest salary increase in the country. It is worth noting there are 15,131 workers who work in more than one state which received an average increase of 5.7% during the month. These are not considered in the regional analysis. Thirteen out of the 32 states in Mexico showed a wage hike above or in line with the 6.2% national weighted average.

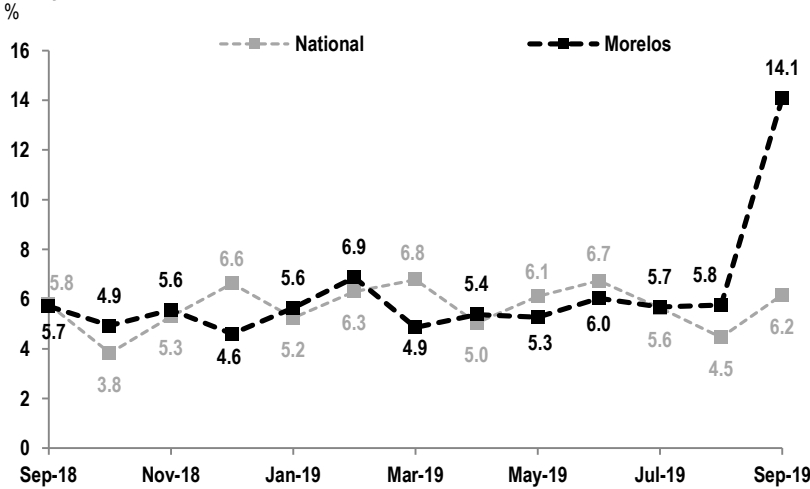
Contractual wage negotiations by federal entity: September 2019



Source: Banorte; Ministry of Labor

In this context, Morelos showed the highest average increase of the country (+14.1% nominal terms), as seen in the chart above. This is the highest advance in the state since September 2008, achieved through only 2 negotiations for a total of 88 workers. On a year-to-date basis, a total of 7,091 workers saw their salary grow by an average of 5.6%. Moreover, Oaxaca (11.1%), Coahuila (10.4%), Sonora (9.7%), and Tamaulipas (8.5%) are some of the states that also had firms that furthered wages for their workers above the national average, as shown in the table on the right.

Salary increase in Morelos



Fuente:

San Luis Potosi was the entity with the most workers benefitting from revisions in September. A total of 6,248 workers improved their salary perception with a 6.3% advance in nominal terms through 6 negotiations (see table below, left). In the first nine months of the year 35,785 workers have been benefited with an average salary increase of 8% in nominal terms. On the other hand, no negotiations took place during the period in Baja California Sur, Campeche, Durango, Guerrero, Nayarit, and Quintana Roo. Additionally, Tlaxcala showed the lowest number of workers with wage negotiation during the period, amounting only twenty.

Higher and lower workers with contractual wage negotiations

Higher and lower workers with contractual wage negotiations				Higher and lower contractual wage negotiations					
Year-to-date				Year-to-date					
	Workers	%	Workers	Jan-Sep '19		% oya	Workers	Jan-Sep '19	Workers
National	33,640	6.2	4.9	755,700	National	6.2	33,640	4,813	755,700
San Luis Potosi	6,248	6.3	8.0	35,785	Morelos	14.1	88	71	7,091
Michoacan	5,391	6.7	6.1	22,726	Oaxaca	11.1	98	55	3,019
State of Mexico	3,301	6.1	5.8	108,203	Coahuila	10.4	757	137	69,563
Puebla	2,162	5.7	5.6	32,821	Sonora	9.7	120	99	18,533
Guanajuato	1,910	6.3	8.0	101,344	Tamaulipas	8.5	1,153	263	27,382
Campeche	--	--	4.5	603	Campeche	--	--	13	603
Durango	--	--	10.6	12,691	Durango	--	--	24	12,691
Guerrero	--	--	5.9	2,384	Guerrero	--	--	25	2,384
Nayarit	--	--	4.9	672	Nayarit	--	--	16	672
Quintana Roo	--	--	4.8	1,998	Quintana Roo	--	--	18	1,998

Source: Banorte; Ministry of Labor

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