

Wage negotiations – Salaries increase 5.7% in July

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- **The Ministry of Labor just published the contractual wage negotiation figures for July**
- **Wage negotiations (July) 5.7%; Banorte: 5.2%; previous: 5.6%**
- **Salaries in the private sector rose 5.7%, although in the public sector no negotiations took place**
- **We highlight the 6% growth in the industrial sector, particularly in the manufacturing sub-sector**
- **Looking ahead, we continue to expect upward pressures in wage negotiations**
- **For the second consecutive month, Coahuila stands out as the federal entity with the highest number of workers with wage increases in July 2018**

Wages increased 5.7% in July. Today, the Ministry of Labor published the figures for contractual wage negotiations. During July, 73 thousand workers negotiated an average increase of 5.7%, above our 5.2% forecast. It is worth noting that this number is marginally above than the 5.6% revised figure from June.

In the first seven months of the year, 1.25 million workers have benefited by an average increase of 5.3%, greater than the 4.6% seen in the same period of 2017. However, 9.3 thousand less workers have received a wage increase in comparison to last year.

The wage negotiations during the month were mainly explained by a greater number of workers in the private sector who got a raise vs. those in the public sector. On average, 73 employees got a 5.7% increase in their wages. Moreover, no workers in the public sector received an average raise in the current month (as shown in the table below).

Contractual wage negotiations

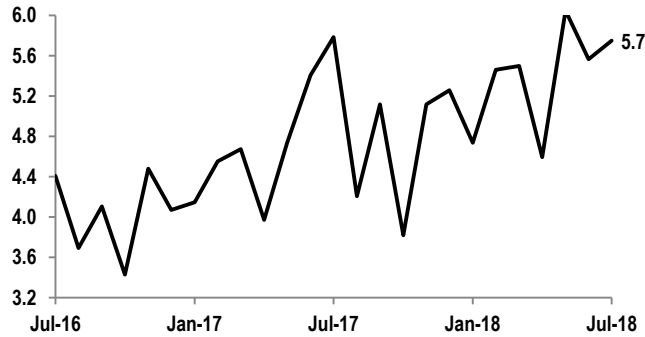
% yoy in nominal terms; number of workers

%yoy in nominal terms	Jul-18	Jul-17	Jan-Jul, 18	Jan-Jul, 17
Total	5.7	5.6	5.3	4.6
Public	0.0	3.4	3.5	3.1
Private	5.7	5.7	5.6	4.9
Number of workers				
Total	73,098	170,314	1,255,994	1,246,678
Public	0	8,194	181,787	184,736
Private	73,098	162,120	1,074,207	1,061,942
Year-to-date's share of workers				
Total	5.8	13.6		
Public	0.0	4.5		
Private	6.8	15.1		

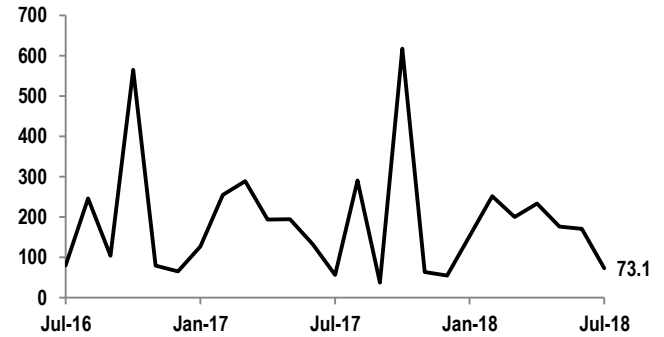
Source: Ministry of Labor

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Contractual wage negotiations
% yoy, nominal



Workers receiving a wage increase
thousands



Source: Ministry of Labor

Wages in the industrial sector increased 6%. Taking a look at the breakdown, we highlight the average raise of 6% to 38,617 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the mining sector amounting to 5.9%, benefiting 1,624 employees.

Services sector posted a 5.5% average increase. Within the sector, wage negotiations in the “commerce” sector rose 6.9%, benefitting 9,265 employees. On the other hand, the transportation, storage and communications sub-sector furthered 4.9% the wages of 14,618 employees

Contractual wage negotiations by sector

	July 2018		Jan-Jul, 18		Jan-Jul, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	6.0	40,299	5.7	645,235	5.0	651,884
Mining	5.9	1,624	6.4	17,172	5.5	29,468
Manufacturing	6.0	38,617	6.1	536,243	5.3	527,341
Construction	5.3	22	5.1	1,538	4.3	2,213
Utilities	3.4	36	3.4	90,282	3.1	92,862
Services	5.5	32,549	4.9	604,773	4.2	589,461
Commerce	6.9	9,265	5.3	112,594	4.4	106,221
Transport, storage and communications	4.9	14,618	4.8	242,152	4.2	241,905
Financial and real estate services	5.9	1,898	5.4	100,776	4.2	95,830
Other	4.7	6,768	4.4	149,251	4.2	145,505
Agricultural	3.9	250	7.9	5,986	5.2	5,333

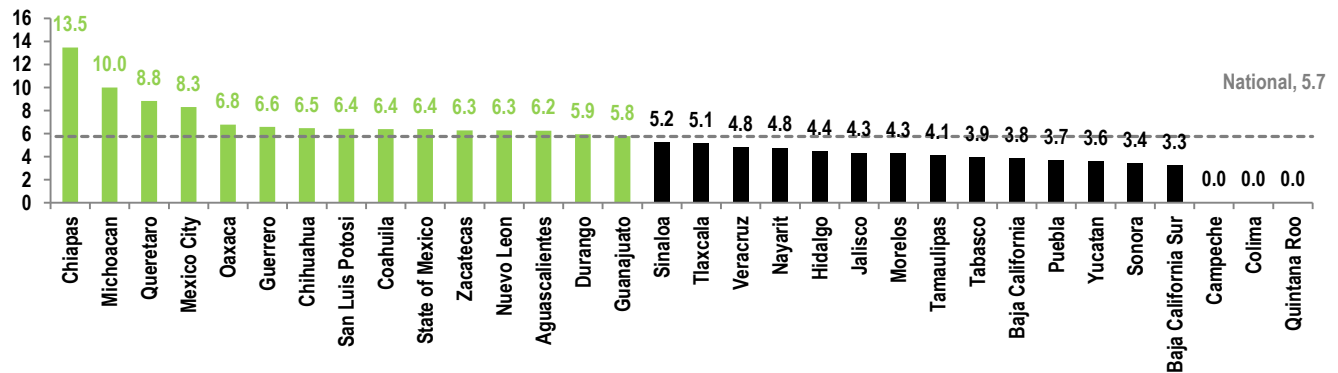
Source: Ministry of Labor

Looking ahead, we continue to expect upward pressures in wage negotiations. We consider that the impact of the increase in the minimum wage enacted on December 1, 2017, as well as the high levels of inflation seen last year, and the beginning of 2018, will continue to weigh on wage negotiations in the first half of 2018.

At the regional level

For the second consecutive month Coahuila stands out as the federal entity with the highest number of workers with wage increases in July. In the seventh month of 2018, 15 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.7% weighted average. It is worth noting there are 34,311 workers who work in more than one entity, which received an average increase of 5.2%, which is not considered in the regional analysis.

Contractual wage negotiations by federal entity: July 2018
% in nominal terms



Source: Banorte; Ministry of Labor

Coahuila stands out as the entity with the most workers benefitting from a wage revision during July (10,055 workers). In this context, wage negotiations in this entity increased 6.4%. By contrast Quintana Roo, Colima, Campeche, Tabasco, and Oaxaca showed the smallest number of workers with wage negotiations in the seventh month of 2018.

Moreover, Chiapas was the entity with the highest wage increase in the month (+13.5%), the highest since June 2006. It is important to highlight that, this raise benefited only 274 workers. Year-to-date, 4,051 workers in the state have seen their salary increase by an average of 8%, as shown in the table on the right. Further down, the states of Michoacan (10%), Queretaro (8.8%), Mexico City (8.3%), and Oaxaca (6.8%), also had firms that furthered wages for their workers above the national average, as shown in the table on the right.

Higher and lower workers with contractual wage negotiations

	Year-to-date			Higher and lower contractual wage negotiations			Year-to-date		
	Workers	%	Workers	Jan-Jul '18	% yoy	Workers	Jan-Jul '18	Workers	
National	38,787	5.7	5.3	554,875	5.7	38,787	4,190	554,875	
Coahuila	10,055	6.4	5.8	57,880	13.5	274	57	4,051	
Nuevo Leon	5,146	6.3	5.6	41,451	10.0	118	94	10,873	
Guanajuato	4,153	5.8	6.6	71,685	8.8	424	101	15,340	
Mexico City	3,499	8.3	5.4	46,983	8.3	3,499	805	46,983	
Aguascalientes	3,326	6.2	5.9	14,324	6.8	40	58	2,733	
Oaxaca	40	6.8	4.3	2,733	3.4	62	92	16,551	
Tabasco	30	3.9	4.8	1,826	3.3	73	24	3,609	
Campeche	--	--	4.9	1,147	--	--	20	1,147	
Colima	--	--	6.4	4,375	--	--	21	4,375	
Quintana Roo	--	--	4.8	2,741	--	--	29	2,741	

Source: Banorte; Ministry of Labor

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