

Wage negotiations – Salaries increase 5.2% in June

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- **The Ministry of Labor just published the contractual wage negotiation figures for June**
- **Wage negotiations (June) 5.2%; Banorte-Ixe: 4.5%; previous: 4.7%**
- **Salaries in the private sector rose 5.3%, although in the public sector they only increased 3.5%**
- **We highlight the 5.5% increase in the industrial sector, particularly the 5.5% in the manufacturing sub-sector**
- **Looking ahead, we expect marginally lower increases in salaries after the rise in the minimum wage and the pickup in inflation**
- **The State of Mexico stands out as the federal entity with the highest number of workers with wage increases**

Wages increased 5.2% in June. Today, the Ministry of Labor published the figures for contractual wage negotiations. During June, 121,574 workers negotiated an average increase of 5.2% yoy (Banorte-Ixe: 4.5%). So far this year, the average for wages negotiated reached 4.5% yoy, above the 4.3% seen in the same period in 2016. We also highlight that 1,150,488 workers have benefitted from an increase in the past 6 months, 31,033 more than in the same period for 2016.

In the private sector, wage increases averaged 5.3% for 114,911 workers, while 6,663 employees in the public sector received an average increase of 3.5%, as seen in the table below.

Contractual wage negotiations

Nominal, %yoy	Jun-17	May-17	Jan-Jun, 17	Jan-Jun, 16
Total	5.2	4.7	4.5	4.3
Public	3.5	3.1	3.1	3.2
Private	5.3	4.9	4.8	4.5

Number of workers

Total	121,574	193,521	1,150,488	1,119,455
Public	6,663	17,207	184,365	177,139
Private	114,911	176,314	966,123	942,316

Year-to-date's share of workers

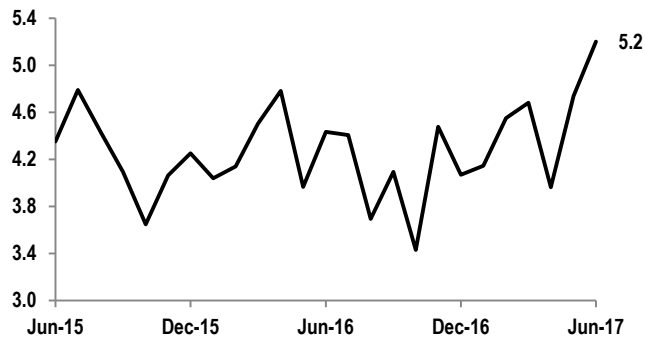
Total	10.6	16.8
Public	3.6	9.3
Private	11.9	18.2

Source: Ministry of Labor

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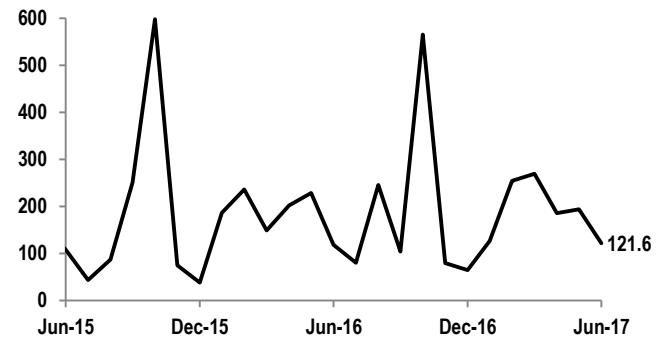
Contractual wage negotiations

% yoy, nominal



Workers receiving a wage increase

thousands



Source: Ministry of Labor, Banorte-Ixe

Wages in the industrial sector increased 5.5%. Taking a look at the breakdown, we highlight the average increase of 5.5% to 43,330 workers of the manufacturing sub-sector, while in the mining sub-category 1,875 employees received an average increase of 5.8%. Moreover, 621 workers in the construction sector received an average raise of 4.2%.

Services sector posted a 5% average increase, benefitting the most workers out of any sector. Within the sector, wage negotiations in the transportation, storage and communications sub-sector benefitted the most workers (32,011 employees) Moreover, the other sectors posted the highest average increase amounting to 6.5% to 20,472 employees.

Contractual wage negotiations by sector

	June 2017		Jan-Jun, 17		Jan-Jun, 16	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	5.5	45,877	4.8	602,424	4.3	580,928
Mining	5.8	1,875	5.4	28,075	5.2	14,577
Manufacturing	5.5	43,330	5.1	479,900	4.5	475,440
Construction	4.2	621	4.3	1,798	4.3	1,685
Utilities	3.3	51	3.1	92,651	3.2	89,226
Services	5.0	75,017	4.2	542,917	4.3	533,464
Commerce	4.8	14,409	4.4	100,305	5.9	98,245
Transport, storage and communications	4.4	32,011	4.2	208,947	4.0	216,598
Financial and real estate services	4.0	8,125	4.2	94,579	4.0	94,836
Other	6.5	20,472	4.1	139,086	3.6	123,785
Agricultural	4.1	680	5.2	5,147	4.3	5,063

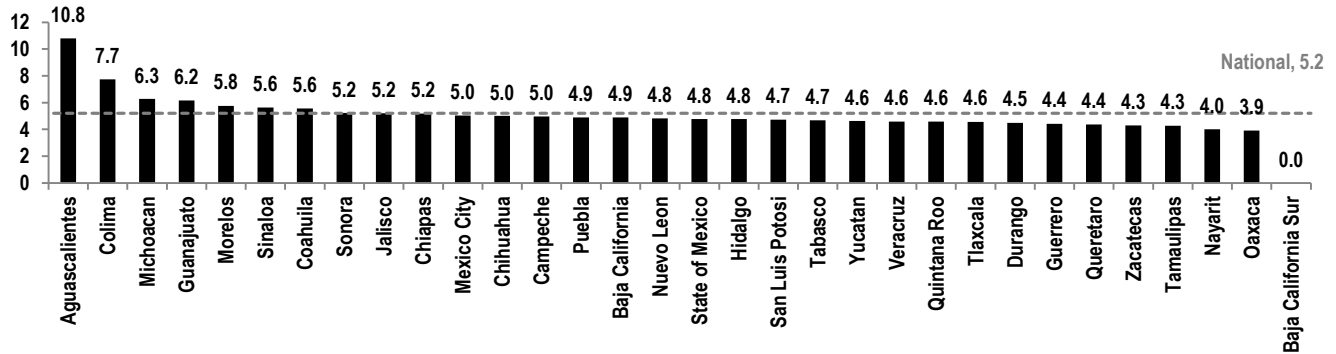
Source: Ministry of Labor

We expect marginally lower increases in salaries in the coming month. We consider that the increase in the minimum wage, as well as higher inflation, will continue to have a significant impact on the salary increase dynamic in the coming months, particularly in the private sector.

At a regional level

The State of Mexico stands out as the federal entity with the highest number of workers with wage increases. In June, 9 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.2% weighted average, as shown in table below.

Contractual wage negotiations by federal entity: June 2017
% in nominal terms



Source: Banorte-Ixe; Ministry of Labor

The State of Mexico stands out as the entity with the highest number of workers that benefited from wage revisions during June (10,678 workers). In this context, wage negotiations in this federal entity increased 4.8% as shown in the following table. However, the state of Baja California Sur showed no workers benefiting from wage negotiations for the second consecutive month. Let us remind that year-to-date in Baja California Sur, 874 workers in the state have seen their salary increase by an average of 4.1%. Aguascalientes stands out as the entity with the highest wage increase in the month (+10.8%), benefiting 1,391 workers. Year-to-date, 12,207 workers in the state have seen their salary increase by an average of 7.3%, as shown in the right table. Further down, the states of Colima (7.7%), Michoacan (6.3%), Guanajuato (6.2%), and Morelos (5.8%), also had firms that increased wages for their workers well above the national average, as shown in the right table.

Higher and lower workers with contractual wage negotiations

	Year-to-date				Higher and lower contractual wage negotiations				
	Workers	%	Workers	Jan-Jun, '17	% oya	Workers	Jan-Jun, '17	Workers	
National	121,574	5.2	4.5	1,150,488	Nacional	5.2	121,574	4,839	1,150,488
State of Mexico	10,678	4.8	5.0	82,731	Aguascalientes	10.8	1,391	46	12,207
Guanajuato	7,561	6.2	5.5	61,088	Colima	7.7	1,037	22	3,317
Coahuila	5,394	5.6	5.3	44,290	Michoacan	6.3	527	66	6,943
Puebla	5,256	4.9	4.8	18,606	Guanajuato	6.2	7,561	201	61,088
Mexico City	4,879	5.0	4.8	43,314	Morelos	5.8	1,685	59	4,376
Quintana Roo	218	4.6	4.6	2,413	Zacatecas	4.3	256	32	9,679
Campeche	212	5.0	4.0	628	Tamaulipas	4.3	959	184	7,361
Nayarit	37	4.0	4.8	591	Nayarit	4.0	37	14	591
Durango	28	4.5	5.5	3,392	Oaxaca	3.9	814	29	2,846
Baja California Sur	--	--	4.1	874	Baja California Sur	--	--	10	874

Source: Banorte-Ixe; Ministry of Labor

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