

Wage negotiations – Salaries increased 5.5% in August

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- **The Ministry of Labor just published the contractual wage negotiation figures for August**
- **Wage negotiations (August) 5.5%; Banorte: 4.7%; previous: 6.2%**
- **Salaries in the private sector rose 5.5%, although in the public sector they only increased 3.4%**
- **We highlight the 5.7% growth in the industrial sector, particularly in the manufacturing sub-sector**
- **Looking ahead, we continue to expect upward pressures in wage negotiations**
- **The State of Mexico stands out as the federal entity with the highest number of workers with wage increases in August 2018**

Wages increased 5.5% in August. Today, the Ministry of Labor published the figures for contractual wage negotiations. During August, 101.6 thousand workers negotiated an average increase of 5.5%, above our 4.7% forecast. It is worth noting that this number is marginally lower than the 6.2% revised figure from July.

In the first eight months of the year, 1.36 million workers have benefited by an average increase of 5.4%, greater than the 4.5% seen in the same period of 2017. However, 175 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, 101,115 employees got a 5.5% increase in their wages. Moreover, only 484 workers in the public sector received an average raise of only 3.4% (as shown in the table below).

Contractual wage negotiations

% yoy in nominal terms; number of workers

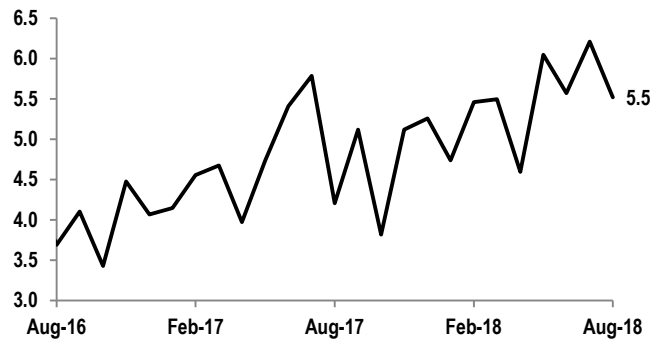
%yoy in nominal terms	Aug-18	Aug-17	Jan-Aug, 18	Jan-Aug, 17
Total	5.5	6.2	5.4	4.5
Public	3.4	--	3.5	3.1
Private	5.5	6.2	5.7	5.0
Number of workers				
Total	101,599	75,061	1,362,415	1,537,428
Public	484	--	182,271	342,978
Private	101,115	75,061	1,180,144	1,194,450
Year-to-date's share of workers				
Total	7.5	5.5		
Public	0.3	--		
Private	8.6	6.4		

Source: Ministry of Labor

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Contractual wage negotiations

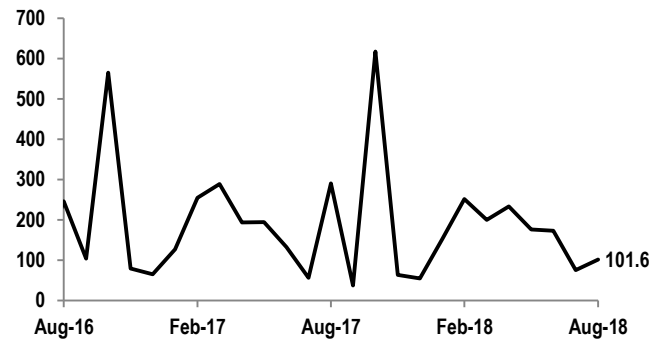
% yoy, nominal



Source: Ministry of Labor

Workers receiving a wage increase

thousands



Wages in the industrial sector increased 5.7%, benefitting the most workers out of any sector. Taking a look at the breakdown, we highlight the average raise of 5.6% to 58,139 workers in the manufacturing sub-sector. Moreover, it is worth noting the growth seen in the mining sector amounting to 6.4%, benefitting 7,645 employees.

Services sector posted a 5.2% average increase. Within the sector, wage negotiations in the commerce sector rose 5.9%, benefitting 5,982 employees. Moreover, the transportation, storage and communications sub-sector furthered 5.2% the wages of 24,049 employees

Contractual wage negotiations by sector

	August 2018		Jan-Aug, 18		Jan-Aug, 17	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	5.7	66,461	5.7	713,523	4.7	894,247
Mining	6.4	7,645	6.4	24,790	3.6	189,889
Manufacturing	5.6	58,139	6.1	596,236	5.3	608,497
Construction	5.1	51	5.1	1,589	4.3	2,854
Utilities	4.7	626	3.4	90,908	3.1	93,007
Services	5.2	34,698	4.9	642,041	4.3	636,123
Commerce	5.9	5,982	5.3	118,576	4.5	115,729
Transport, storage and communications	5.2	24,049	4.9	266,846	4.4	271,542
Financial and real estate services	4.9	503	5.4	101,289	4.2	96,833
Other	4.2	4,164	4.5	155,330	4.2	152,019
Agricultural	4.2	440	7.5	6,851	5.1	7,058

Source: Ministry of Labor

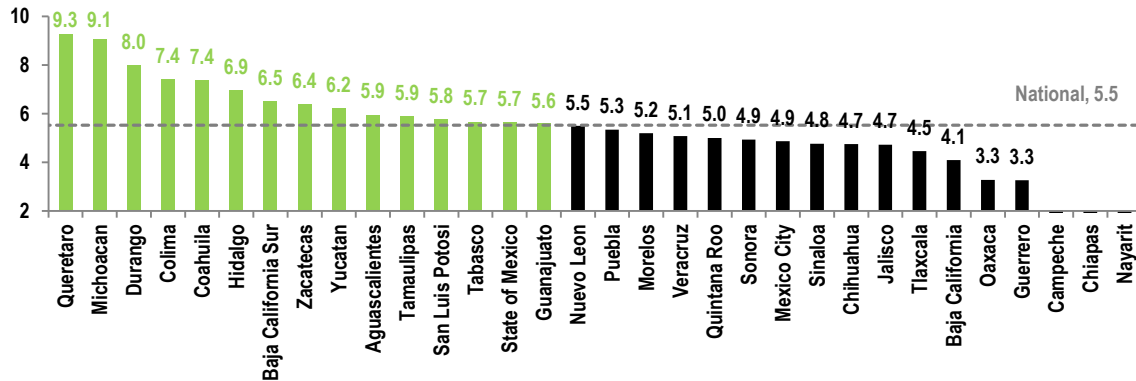
Looking ahead, we continue to expect upward pressures in wage negotiations. We consider that the impact of the increase in the minimum wage enacted on December 1, 2017, as well as the high levels of inflation seen last year, and the beginning of 2018, will continue to weigh on wage negotiations in the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

At the regional level

The State of Mexico stands out as the federal entity with the highest number of workers with wage increases in August 2018. In the eighth month of 2018, 15 of the 32 states in Mexico showed an increase in their wage negotiations above or in line with the 5.5% national average. It is worth noting there are 30,849 workers who work in more than one entity, which received an average increase of 5.2%. However, these figures are not considered in the regional analysis.

Contractual wage negotiations by federal entity: August 2018

% in nominal terms



Source: Banorte; Ministry of Labor

The State of Mexico stands out as the entity with the most workers benefitting from a wage revision during August (15,264 workers). In this context, wage negotiations in this state increased 5.7%. By contrast Campeche, Chiapas, and Nayarit did not register any negotiations during the month. In addition, Quintana Roo and Guerrero, benefited 40 and 12 workers, respectively.

Moreover, Queretaro was the entity with the highest wage increase in the month (+9.3%), the highest since April 2017. It is important to highlight that this raise benefited only 347 workers. Year-to-date, 15,687 workers in the state have seen their salary increase by an average of 9.3%, as shown in the table on the right. Further down, the states of Oaxaca (3.3%) and Guerrero (3.3%), had firms that furthered wages for their workers below 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				
	Workers	%	Workers	Jan-Aug '18	% oya	Workers	Jan-Aug '18	Workers	
National	70,750	5.5	5.4	627,967	National	5.5	70,750	4,687	627,967
State of Mexico	15,264	5.7	6.0	106,208	Queretaro	9.3	347	108	15,687
Puebla	11,359	5.3	5.5	33,620	Michoacan	9.1	1,115	99	11,988
Guanajuato	8,181	5.6	7.0	80,336	Durango	8.0	154	24	3,151
Mexico City	5,055	4.9	5.4	52,140	Colima	7.4	991	28	5,304
Zacatecas	4,809	6.4	6.1	10,464	Coahuila	7.4	1,666	126	59,546
Quintana Roo	40	5.0	4.8	2,781	Oaxaca	3.3	501	63	2,733
Guerrero	12	3.3	5.4	2,271	Guerrero	3.3	12	38	2,271
Campeche	--	--	4.9	1,147	Campeche	--	--	20	1,147
Chiapas	--	--	8.0	4,051	Chiapas	--	--	57	4,051
Nayarit	--	--	5.3	488	Nayarit	--	--	11	488

Source: Banorte; Ministry of Labor

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