

## Wage negotiations – Mexican Institute of Social Security (IMSS) is mostly responsible for the 3.6% wage increase in October

November 10, 2015

www.banorte.com  
www.ixe.com.mx  
@ analisis\_fundam

- Wage negotiations (October): 3.6%; Banorte-Ixe: 3.6%; previous: 4.1%
- Wages in the private sector increased 4.7%, while in the public sector workers negotiated on average a 3.3% raise
- Looking ahead, we believe that the favorable performance in real wages will support consumption
- Oaxaca stands out as the entity with the highest wage increase

**Saúl Torres**  
Analyst, Mexico  
saul.torres@banorte.com

**Regional and Sectorial**

**Miguel Calvo**  
Economist, Regional and Sectorial  
miguel.calvo@banorte.com

Wage negotiations in October came in at 3.6% in nominal terms, in line with our forecast. The negotiations in October were below the 4.1% average observed year-to-date. We highlight that October's figure was derived from a 4.7% increase in private sector wages, coupled with an increase of 3.3% in the public sector. Moreover, most of the negotiations were conducted in the private sector (549 of the 561 negotiations that took place), but the bulk of workers belong to the public sector (449,879 of the 596,131 workers), as shown in the following table, and particularly inside the health sector.

### Contractual wage negotiations

%				
Nominal	Oct-15	Sep-15	Jan-Oct, 15	Jan-Oct, 14
<b>Total</b>	<b>3.6</b>	<b>4.1</b>	<b>4.3</b>	<b>4.2</b>
Public	3.3	4.0	3.2	3.7
Private	4.7	4.4	4.5	4.4
In Real Terms				
<b>Total</b>	<b>1.1</b>	<b>1.5</b>	<b>1.4</b>	<b>0.2</b>
Public	0.8	1.4	0.6	-0.3
Private	2.1	1.8	1.6	0.4
Number of workers, thousands				
<b>Total</b>	<b>596</b>	<b>249</b>	<b>2,110</b>	<b>2,085</b>
Public	450	184.7	819	845
Private	146	64	1,291	1,240

Source: Banorte-Ixe; Ministry of Labor

Document for distribution among public

**Bargaining processes in the services sector resulted below the ones obtained in October 2014 (4.3% vs. 4.6%).**

We highlight that October's wage negotiation figure of 3.6%, was mainly driven by health sector, specifically wage increases in the Union of the *Mexican Institute of Social Security (IMSS)*, benefiting more than 320,000 workers with a salary increase of 3.3%. Moreover, in the retail sector, wage increases were up 5.7% vs. the 4.2% observed in the same month of 2014. In the financial sector, wages improved 4.7%, significantly below the 10.7% in October 2014. Moreover, workers in the educational sector negotiated wages by 3.2%, slightly below the 3.4% observed in October 2014, and –according to our monthly wages monitoring- we highlight salary revisions made by the union workers of the *National Autonomous University of Mexico (STUNAM)*, benefiting about 25,000 workers with a 3.15% increase.

**The 5.9% increase in wages within the industrial sector was below the 6.9% observed in October 2014.**

In the mining sector, wage increases were in the area of 6.4%, above the ones negotiated in October 2014 (5.1%). Moreover, in the manufacturing sector, wages increased 4.6% vs. 4.5% observed in the same period of 2014. We highlight that this figure was mainly driven –according to our monthly wages monitoring- by the revisions made in the sugar and baking industry, specifically in the *Mexican Chamber of the Sugar Industry* (42,000 workers with a wage increase of 5%) and in the *Mexican Workers Union of Flour and Bakers*, belonging to *Bimbo* (44,000 workers with an increase of 4%). Finally, in the construction sector, there were no negotiations.

**Finally in the agricultural sector, negotiations were conducted in the area of 4.4%.** We highlight that this figure is below than the 5% observed in the same period last year, as shown in the following table.

**Contractual wage negotiations in October 2015**

	Year-to-date				
	%	Workers	%	Workers	2014
<b>Total</b>	<b>3.6</b>	<b>596,131</b>	<b>4.1</b>	<b>2,110,354</b>	<b>4.1</b>
Public	3.3	449,879	3.5	819,208	3.6
Private	4.7	146,252	4.5	1,291,146	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>5.9</b>	<b>112,545</b>	<b>--</b>	<b>1,014,740</b>	<b>--</b>
Mining	6.4	5,442	4.2	212,222	4.2
Manufacturing	4.6	106,691	4.6	704,624	4.5
Construction	--	--	4.3	1,977	4.5
Utilities	6.7	412	3.4	95,917	3.5
<b>Services</b>	<b>4.3</b>	<b>483,397</b>	<b>--</b>	<b>1,087,747</b>	<b>--</b>
Commerce	5.7	6,344	4.4	122,655	4.3
Transport, storage and communications	4.3	16,232	4.1	126,790	3.9
Financial services	4.7	3,476	4.6	109,035	4.6
Other	4.1	457,345	4.7	729,267	4.6
<b>Agricultural</b>	<b>4.4</b>	<b>189</b>	<b>4.2</b>	<b>7,867</b>	<b>4.3</b>

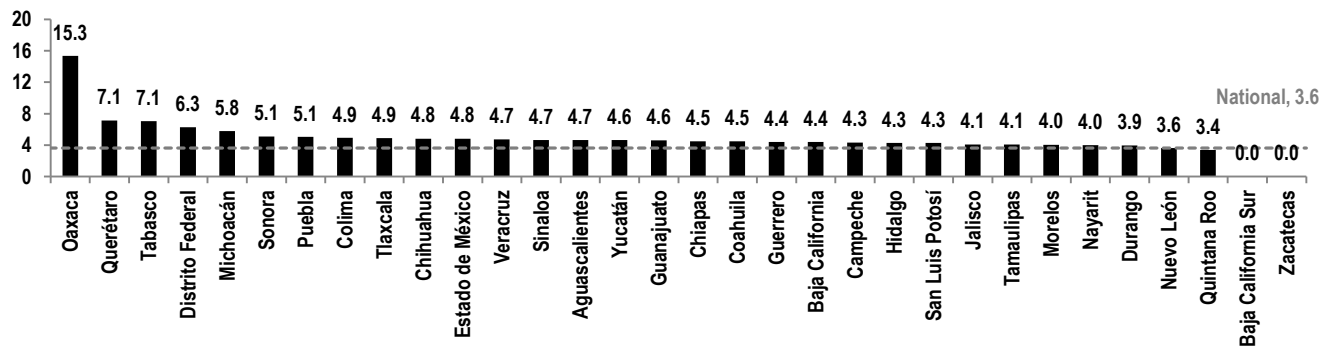
Source: Banorte-Ixe; Ministry of Labor

**Looking ahead, we believe that the favorable performance in real wages will support consumption.** We continue to believe that increases in contractual wages do not imply that firms perceive greater inflationary pressures. Given that inflation expectations for the next 12 months -according to the latest survey of private sector expectations of Banxico- remain around 3.67%, this leads to an expected increase in real wages.

*From our regional economy team*

**Oaxaca stands out as the entity with the highest wage increase.** In October, 28 of the 32 states in Mexico showed an increase in their wage negotiations above the 3.6% average.

**Contractual wage negotiations by federal entity: October 2015**  
%



Source: Banorte-Ixe; Ministry of Labor

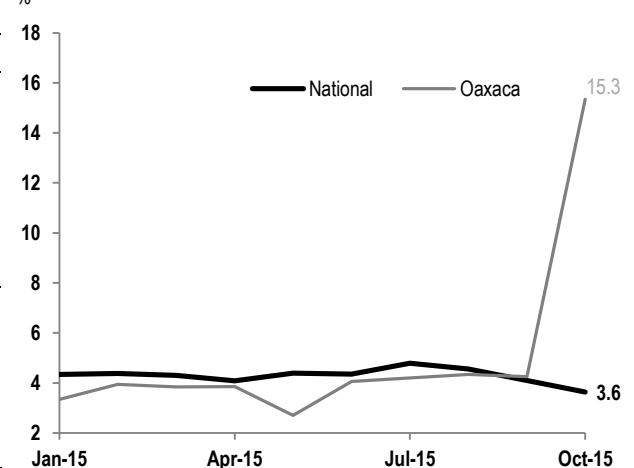
Oaxaca stands out as the entity with the highest wage increase. Wage negotiations for workers grew 15.3%. Further down, the states of Querétaro and Tabasco (7.1%), Mexico City (6.3%) and Michoacán (5.8%) also had firms that increased wages for their workers well above the national average. Moreover, the entities that failed or succeeded to a lesser extent to increase wages for its workers were Zacatecas and Baja California Sur (0%), Quintana Roo (3.4%) and Nuevo León (3.6%), as shown in the lower left table.

**Higher and lower contractual wage negotiations**

	Year-to-date			
	% oya	Workers	Jan-Oct, '15	Workers
<b>Mexico</b>	<b>3.6</b>	<b>596,131</b>	<b>4.3</b>	<b>2,110,354</b>
Oaxaca	15.3	615	5.0	4,461
Querétaro	7.1	309	4.8	17,788
Tabasco	7.1	135	4.2	3,090
Distrito Federal	6.3	4,315	4.6	70,021
Michoacán	5.8	2,292	4.4	15,733
Zacatecas	0.0	0	4.4	6,166
Baja California Sur	0.0	0	5.1	3,644
Quintana Roo	3.4	17	4.3	2,689
Nuevo León	3.6	282	4.5	34,712
Durango	3.9	304	4.9	3,758

Source: Banorte-Ixe; Ministry of Labor

**Wage negotiations: Oaxaca**  
%



Source: Banorte-Ixe; Ministry of Labor

**Disclaimer**

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	ricardo.velazquez@banorte.com	(55) 5268 - 9879
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454