

Wage negotiations continue on their upward trend in March

April 10, 2019

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- The Ministry of Labor published contractual wage negotiations for March
- Wage negotiations (March): **6.5%**; Banorte: **5.7%**; previous: **6.1%**
- Workers in the private sector saw wages increase **6.5%**, while employees in the public branch got a **3.4%** raise
- We highlight the **7.0%** increase in the industrial sector, driven by negotiations in manufacturing
- We believe that the minimum wage increase that came into effect on January 1st helps explain part of the relative acceleration, along demands of higher increases after two years of relatively high inflation
- Looking ahead, we expect workers to keep incorporating gradually the impact of the minimum wage increase at the start of the year, a catch-up effect due to high inflation in recent years
- Given the labor situation in Tamaulipas, we highlight the **15.5%** salary increase for workers during March

Wages increased 6.5% in March. This figure was above the 6.1% increase in February and also higher than the 5.5% in the same month of the previous year. This raise was a result of 794 negotiations that benefited 219,751 workers, 20,587 less than in the same month of 2018. Year-to-date, the average increase has been of 6.0% (70bps above the same period of 2018) for a total of 605,390 employees. Taking a look at the monthly breakdown, 217,673 employees in the private sector got an average raise of 6.5%. Moreover, 2,078 workers in the public sector received a 3.4% increase (see table below).

We continue believing that the strong growth is mainly driven by the minimum wage increase of 16% that has been in place since January. In addition, strikes since the first month of the year, particularly in the state of Tamaulipas (+15.5% in the month, as described in the next section), could have also impacted negotiations. To the latter we must add that several employees keep demanding above-average increases after two years of inflation above Banxico's target.

Contractual wage negotiations

%; number of workers

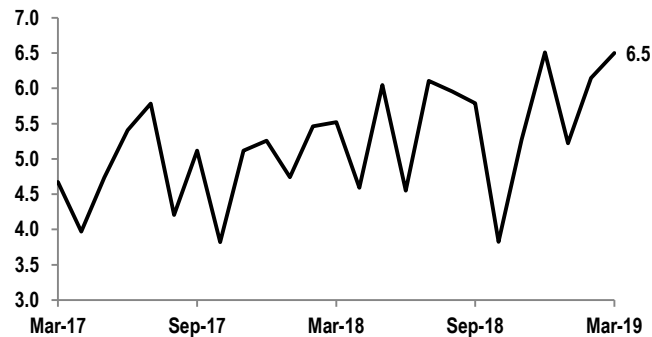
% nominal	Mar-19	Feb-19	Jan-Mar '19	Jan-Mar '18
Total	6.5	6.1	6.0	5.3
Public	3.4	3.4	3.5	3.6
Private	6.5	6.2	6.3	5.5
Number of workers				
Total	219,751	201,219	605,390	602,139
Public	2,078	6,636	58,289	72,483
Private	217,673	194,583	547,101	529,656

Source: Ministry of Labor

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Contractual wage negotiations

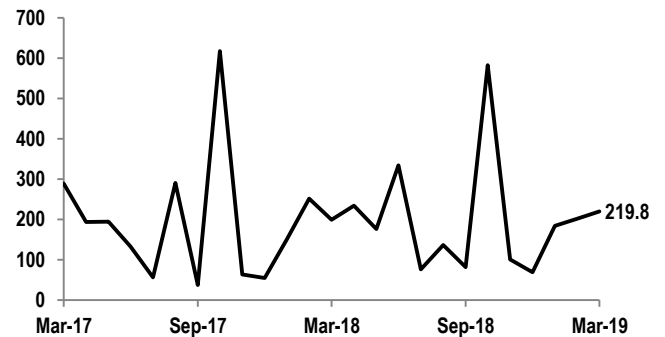
% yoy, nominal



Source: Ministry of Labor

Workers receiving a wage increase

thousands



Source: Ministry of Labor

Wages in the industrial sector climbed 7.0%, benefitting 119,013 workers.

Taking a look at the breakdown, most workers with a raise were in manufacturing (117,808), receiving an increase in line with the headline. We also note the 7.4% increase for 1,089 employees in mining.

Services sector wages' posted a 5.9% average growth for 100,383 workers.

Within the sector, the highest increase was 7.3% for 15,780 thousand workers in the "others" subsector. Nevertheless, the subsector with the most workers benefited was transportation with a 5.3% raise to 40,969 employees.

Contractual wage negotiations by sector

	March 2019		Jan-Mar '19		Jan-Mar '18	
	%yoy	Workers	%yoy	Workers	%yoy	Workers
Industrial	7.0	119,013	6.8	298,605	5.9	268,814
Mining	7.4	1,089	7.0	4,278	6.1	6,841
Manufacturing	7.0	117,808	6.8	291,162	5.9	260,597
Construction	5.0	32	4.9	2,601	5.2	960
Utilities	3.8	84	3.9	564	4.4	416
Services	5.9	100,383	5.2	302,632	4.8	329,482
Commerce	6.2	29,184	6.6	48,789	5.0	74,097
Transport, storage and communications	5.3	40,969	5.2	134,661	4.9	128,441
Financial and real estate services	5.5	14,450	5.0	42,800	5.6	37,672
Other	7.3	15,780	4.7	76,382	3.9	89,272
Agricultural	4.7	355	5.8	4,153	9.0	3,843

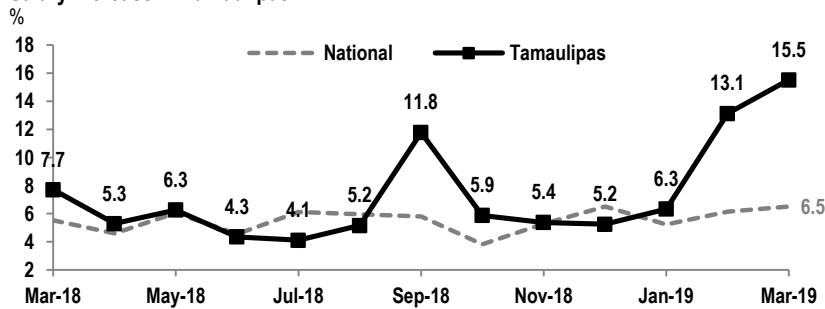
Source: Ministry of Labor

Looking ahead, we continue expecting upward pressures in wages. In our view, the abovementioned factors will keep playing a relevant part in terms of wage negotiations in coming months, taking into account that workers that have not had an adjustment so far continue taking them into account. In this respect, we believe negotiations will remain skewed to the upside given the 16.2% minimum wage increase already described, gradually incorporated as revisions come due. By the same reasoning, we expect a catch-up effect as a result of higher inflation in the last two years to also influence negotiations. Nevertheless this could be partially offset by the convergence of inflation towards the target in the following quarters.

At the state level

Given the labor situation in Tamaulipas, we highlight the 15.5% salary increase for workers during March. Derived from the multiple strikes in various companies in the state in past months, we highlight the average salary increase of 15.5%, figure not seen since February 2002. During the month, 28 reviews were made to wage contracts that benefitted 7,692 workers (the largest number of workers in the last ten months). However, year-to-date, the average increase in the state is 14.3% to a total of 13,097 workers. Within these figures, only negotiations at the federal level are counted, so we do not discard that data at the local level could show a greater number of workers benefitted with a similar increase.

Salary increase in Tamaulipas

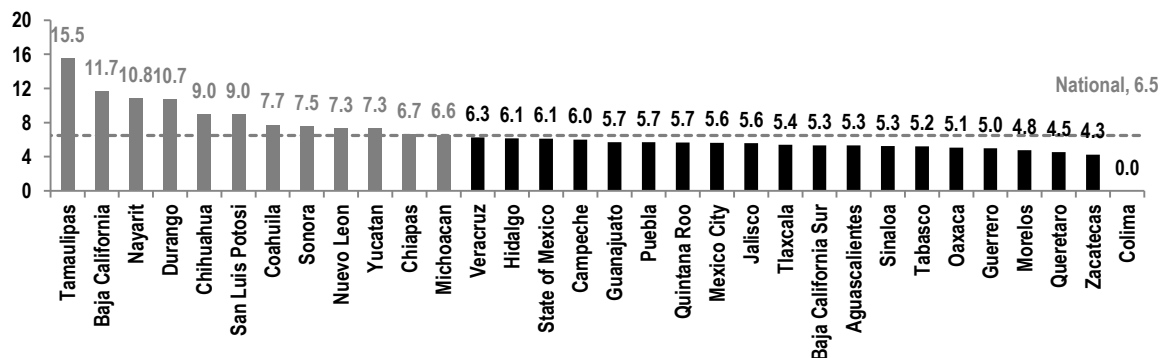


Source: Banorte; STPS

It is worth noting there are 111,894 workers who work in more than one entity which received an average increase of 5.6% during the month. However, these are not considered in the regional analysis. A total 12 of the 32 states in Mexico showed a wage increase above or in line with the 6.5% national average. Moreover, Baja California (11.7%), Nayarit (10.8%), Durango (10.7%), and Chihuahua (9%), had firms that furthered wages for their workers above the national average, as shown in the table on the right.

Contractual wage negotiations by federal entity: March 2019

% in nominal terms



Source: Banorte; Ministry of Labor

On the other hand, Guanajuato stood out as the entity with the most workers benefitting from revisions (14,130 workers). In this context, wage negotiations in this state increased 5.7% through 38 negotiations. By contrast, Campeche, Tabasco, Guerrero, and Nayarit showed the lowest number of workers with salary benefits in the country. Nevertheless, it is important to mention that Colima didn't show negotiations during the period.

Higher and lower workers with contractual wage negotiations
Higher and lower contractual wage negotiations

Year-to-date					Year-to-date				
	Workers	%	Workers	Jan-Mar '19		% oya	Workers	Jan-Mar '19	Workers
National	111,894	6.5	4.9	277,228	National	6.5	111,894	1,774	277,228
Guanajuato	14,130	5.7	8.0	36,628	Tamaulipas	15.5	7,692	94	13,097
State of Mexico	12,319	6.1	5.9	37,253	Baja California	11.7	352	28	1,772
Nuevo Leon	9,411	7.3	5.5	16,007	Nayarit	10.8	25	8	412
Tamaulipas	7,692	15.5	6.0	13,097	Durango	10.7	6,461	14	9,665
Mexico City	7,369	5.6	5.3	21,035	Chihuahua	9.0	5,820	33	13,650
Campeche	136	6.0	4.5	281	Guerrero	5.0	66	16	2,384
Tabasco	123	5.2	5.2	707	Morelos	4.8	4,124	22	5,642
Guerrero	66	5.0	5.9	2,384	Queretaro	4.5	632	32	5,210
Nayarit	25	10.8	5.2	412	Zacatecas	4.3	160	6	264
Colima	--	--	6.4	4,327	Colima	--	--	7	4,327

Source: Banorte; Ministry of Labor

Source: Banorte; Ministry of Labor

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