

# FACTS AND FIGURES



## Monthly Inflation

Monthly Inflation	2005 Tijuana	2005 National	2004 National
January	-0.15%	0.00%	0.62%
February	-0.02%	0.34%	0.60%
March	0.46%	0.45%	0.34%
April	0.22%	0.36%	0.15%
May	0.46%	-0.25%	-0.25%
June	-0.19%	-0.10%	0.16%
July	-0.24%	0.39%	0.26%
August	0.02%	0.12%	0.62%
September	0.60%	0.40%	0.83%
October	0.30%	0.25%	0.69%
November	0.01%	0.72%	0.85%
December	0.17%	0.61%	0.21%

## Accumulated Inflation

Accum. Inflation	2005 Tijuana	2005 National	2004 National
January	-0.15%	0.00%	0.62%
February	-0.16%	0.34%	1.22%
March	0.29%	0.79%	1.57%
April	0.52%	1.15%	1.72%
May	0.98%	0.89%	1.46%
June	0.79%	0.80%	1.63%
July	0.55%	1.19%	1.89%
August	0.58%	1.31%	2.52%
September	1.18%	1.72%	3.37%
October	1.49%	1.97%	4.09%
November	1.50%	2.70%	4.97%
December	1.68%	3.33%	5.19%

Source: Banco de Mexico

### DAILY MINIMUM WAGE Effective January 1st, 2006

Zone A - \$48.67

Zone B - \$47.16

Zone C - \$45.81

Source: CNSM  
(National Minimum Wage Commission).

### LATEST PUBLISHED SURVEYS

NOV. 2005 - TIJUANA NON-MAQUILA

NOV. 2005 - ENSENADA MAQUILAS

SEPT. 2005 - TIJUANA MAQUILAS

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## CLIENT ADVISORY

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### National Inflation Sets Record Low in 2006

Inflation at the National Level closed at 3.33% setting a record for the lowest Yearend Inflation in 34 years.

As can be seen in our **Facts and Figures** Section, Tijuana's Yearend Inflation for 2005 closed at 1.68% which was even Lower than the National Level (3.33%), in large part due to the dollarized local Economy and the Peso Appreciation.

Although there will be Presidential Elections this year, Projections for 2006's Inflation range from 3.3% to 3.8% just slightly lower than the Minimum Wage Increase of 4.0% for this year, and close to the Official Inflation Objective of 3%.

### Outlook for 2006

#### Turnover Increases

Employee Turnover, as we can see in Table-A- increased slightly during 2005 due to Supply and Demand although not to the Levels of Historical Turnover as exemplified by the year 2000.

According to INEGI in their January 2006 Report, while National Maquila Employment Increased 3.5% (Nov. 2005 Vs Nov. 2004), the State of Baja California Increased 1.3% (3,234 jobs) with Tijuana Maquilas Increasing 3.1% (5,100 jobs).

It is important to note that Tijuana Maquilas led the State in Job Creation while Mexicali Decreased -3.6% (2,005 Jobs), Ensenada Decreased -0.7% (97 Jobs) and Tecate Increased 2.4% (236 Jobs). Last year Tijuana lead the Nation by Increasing 11.4% (16,751 Jobs) from Nov. 2004 to Nov. 2005. This signals Slower Maquila Growth in Employment where increases are being created through Current Plants and not by New Maquilas moving into México.

We can expect this trend to continue with established Maquiladoras providing the growth in Jobs for 2006 limited by the Growth in the US Economy.

#### Wage and Salary Projections for 2006

Wage and Salary Increases, as we can see in Table-B, in our R-M 2006 E-mail Survey of Tijuana Maquilas, tells us that 36.4% of our Sample of Companies, slightly higher than last year's 31.4%, have already implemented an Average Increase of 5.0% for Directs, while 53.0% of the Companies, higher than last year's 47.7%, have Increase Proposals Pending Approval.

The Range for the Increase Proposals for Directs are from 3% to 6% with an Average of 4.4%.

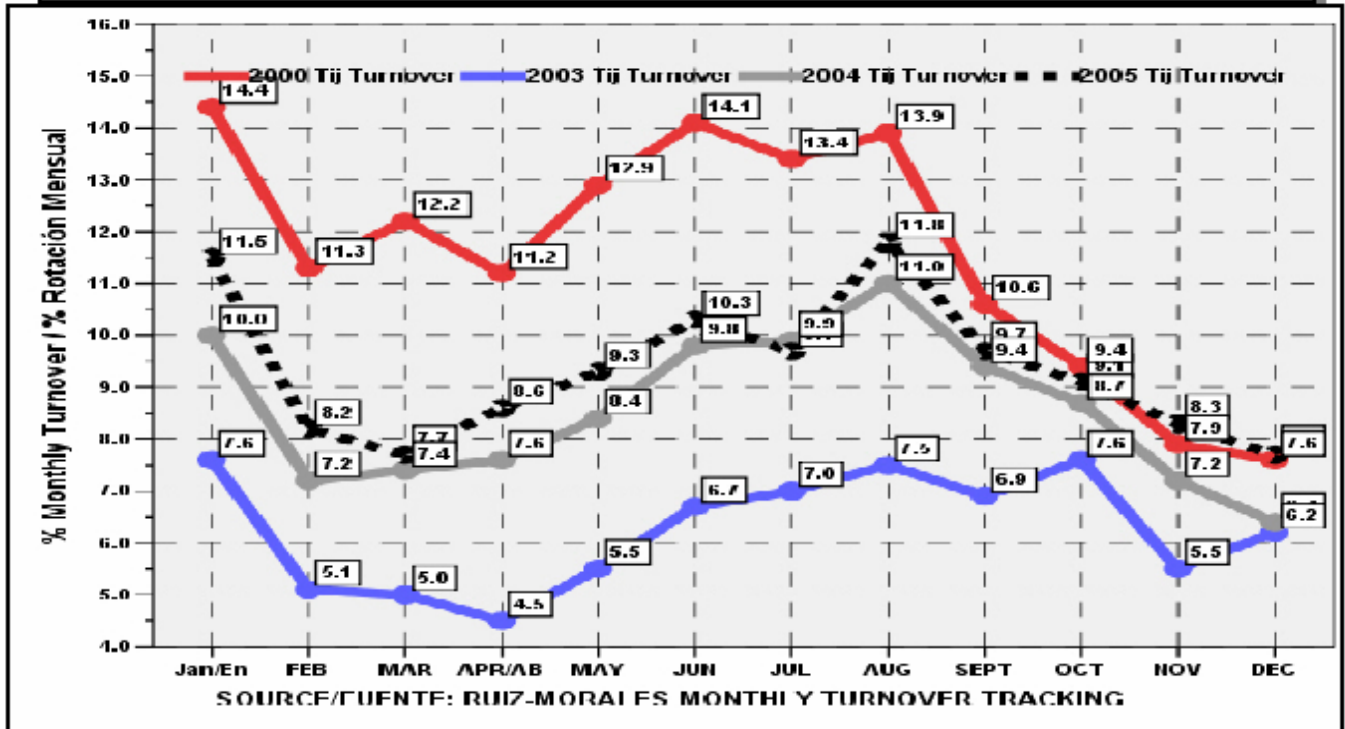
Last year in our e-mail Survey, Implemented Increases for Directs Averaged 5.3%. During 2005 Total Increases (Implemented and Proposed) for Directs Averaged 5.8%, slightly higher than the 5.3% initially Implemented. We expect the same trend for 2006 with actual Total Increases Averaging between 5% and 6%.

Of our Sample 10.6% Companies, compared to 20.9% last year, have no plans to Increase their Directs during 2006 which signals higher Competitiveness.

Please Note our Change in e-mail address: ruizmorales@prodigy.net.mx

**TABLE - A**

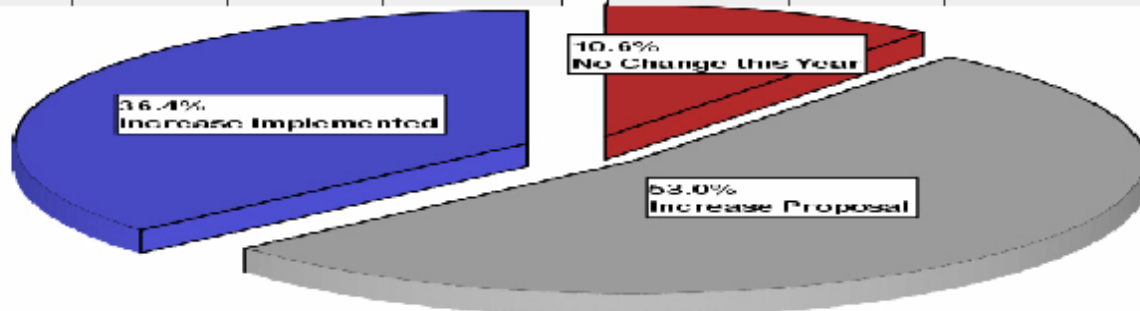
**COMPARATIVE TIJUANA TURNOVER**



**TABLE - B**

**R-M E-MAIL SURVEY 2006 INCREASE STRATEGIES**

2006 Increase Implemented				2006 Increase Proposal Pending			
	Minimum	Average	Maximum		Minimum	Average	Maximum
Directs	2.5%	5.0%	10.0%	Directs	3.0%	4.4%	6.0%
Indirects	1.0%	4.8%	7.0%	Indirects	1.0%	4.5%	10.0%
Managers	1.0%	4.0%	7.0%	Managers	1.0%	4.5%	10.0%



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