



Minimum wage increase for 2021

As part of the government’s commitment with the recovery of the minimum wage, in 2021 it increases 15% and 11.6% in nominal and real terms, respectively (from 123.22 to 141.7 pesos per day / from 6.2 to 7.2 USD). In 43 municipalities along the northern border (NBFZ) the minimum wage went from 185.56 to 213.39 pesos. The increase will benefit 4.5 million workers in the country.

Small impact on labor costs

Labor cost of the increase in the minimum wage^a

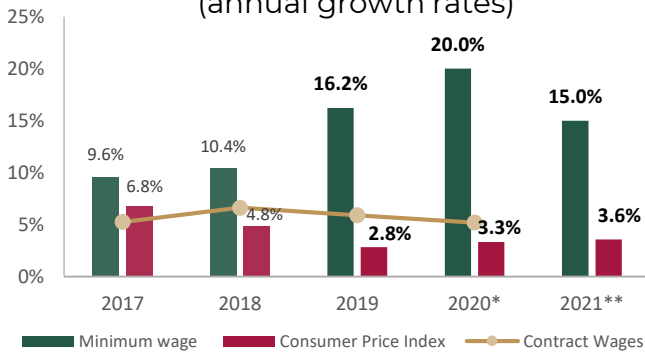
Minimum wage for 2021	\$141.70
Nominal increase compared to 2020	\$18.48
Workers earning less*	4.05
(as a percentage of the total)	22.7%
Daily wage bill paid**	7,180
Daily wage bill required for the increase**	29.1
Average required increase per worker	\$7.19
Labor cost	0.41%

Source: IMSS. *Millions. **Millions of pesos. ^a Without considering NBFZ.

- Workers whose salary is in the range between the minimum wages of 2020 and 2021 earned an average of 134.51 pesos (6.8 USD). Their employers must increase their wages by 7.19 pesos (0.4 USD) or 2.23% in real terms to meet the new minimum wage (not 11.6%).
- Adding the costs that each company will have in order to comply with the new minimum wage, the total cost of the increase represents 0.44% of total labor costs (0.77% for the NBFZ and 0.41% for the rest of the country).

No lighthouse effect is observed

Minimum and formal wages and prices (annual growth rates)



Source: Banco de México and Comisión Nacional de los Salarios Mínimos

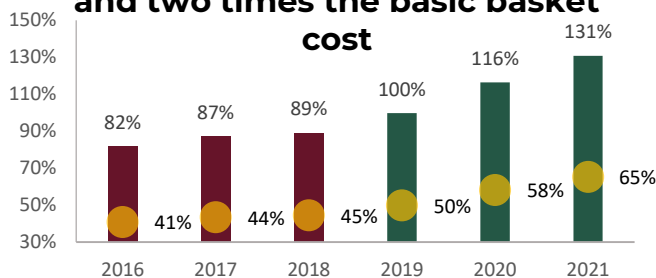
* Inflation in November 2020

** Expected inflation from the survey of economics specialists

- The current administration has shown a clear commitment to increase the minimum wage since 2019.
- The increases have had no repercussions on the inflation rate, which both at the end of 2019 and in 2020 continues within the central bank target range (between 2 and 4%). By 2021, it is expected to remain within the target range.
- Also, they have not been reflected in increases of the same magnitude in the contractual salary reviews.

Workers wellbeing

Minimum wage as percent of one and two times the basic basket cost



Source: Coneval and Comisión Nacional de los Salarios Mínimos. Each bar represents the minimum wage as a percentage of the cost of the basic basket and the yellow dots as percentage of twice the cost at the end of the previous year. For 2021, the information from November 2020 is used.

- In 2019, the minimum wage reached the Income Poverty Line for the first time, which allows a working person to purchase a basic basket for themselves (food, health, education, housing).
- In 2021, the minimum wage will cover 131% of this basic basket, which means that workers will have a higher disposable income after covering their basic needs.
- This puts the minimum wage closest to the goal of the Government of covering twice the cost of the basic basket.