

Minimum Wage – 20% increase in 2024

- Today, the *National Commission for Minimum Wages* (CONASAMI, in Spanish) announced a 20% increase in the minimum wage (MW) for 2024, from \$207.44 to \$248.93 per day
- This increase matches the hike seen in 2023 and is also in line with the trend from previous years (2022: 22%; 2021: 15%; 2020: 20%; 2019: 16.2%)
- The government maintains its policy of pushing for a gradual recovery in wages, with President López Obrador mentioning that with this, the promise of doubling the minimum income has been achieved. The measure had unanimous support from government entities, worker's unions, and the private sector
- In the case of the Northern Border, the increase was at the same rate (20%), from \$312.41 to \$374.89 per day
- We believe the announcement supports and environment in which wage pressures have been larger. In our opinion, recent evidence suggests a larger 'lighthouse effect' from said increases, especially considering few labor market slack
- Nevertheless, given that the adjustment is broadly in line with our expectations, we hold our view that inflation will close 2024 at 4.6% y/y

Minimum wage set to increase 20% in 2024. Today, the *National Commission for Minimum Wages* (CONASAMI, in Spanish) announced a 20% increase in the minimum wage (MW) starting on January 1st, 2024. Once again, this is composed of two factors: (1) An increase in pesos related to the *Independent Recovery Amount* (MIR, in Spanish), designed to protect Mexican households' purchasing power; and (2) a percentage increase above this updated amount, linked to inflation. In this respect, the *National Minimum Wage* will stand at \$248.93 from \$207.44 per day, comprised of an increase of \$27.40 in the MIR plus 6.0%. Hence, the total hike stands at 20% (see table below for details). We should mention that average inflation so far this year (until 1H-November) stands at 3.9%, which would imply a recovery even if we see additional pressures during the rest of the year. Remembering that the *Minimum Wage for the Northern Border* was introduced since 2019, the latter will pick up by the same magnitude (20%), with the MIR up by \$41.26 and the same inflation adjustment of 6.0%.

Composition of the minimum wage increases

MXN, % nominal increase

	Previous MW (MXN)	MIR (MXN)	Inflation adjustment (%)	New MW (MXN)	Total increase (%)
2017	73.04	4.00	3.90	80.04	9.58
2018	80.04	5.00	3.90	88.36	10.39
2019	88.36	9.43	5.00	102.68	16.21
2020	102.68	14.67	5.00	123.22	20.00
2021	123.22	10.46	6.00	141.70	15.00
2022	141.70	16.90	9.00	172.87	22.00
2023	172.87	15.72	10.00	207.44	20.00
2024	207.44	27.40	6.00	248.93	20.00

*From 2019 onwards, the amount and percentage increase refer only to the minimum wage that excludes the Northern Border, as both are differentiated.

Source: Banorte with data from CONASAMI

Several of the targets outlined through the administration are met. Throughout this presidential administration, several goals have been set surrounding the MW. The first target –mentioned again today by President López Obrador– was of a 100% hike relative to 2018's levels (at \$88.36 per day), figure which had already been reached since this year. In fact, with today's announcement, progress stands at 181.7%.



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com



www.banorte.com/analiseconomico
@analisis_fundam

Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*



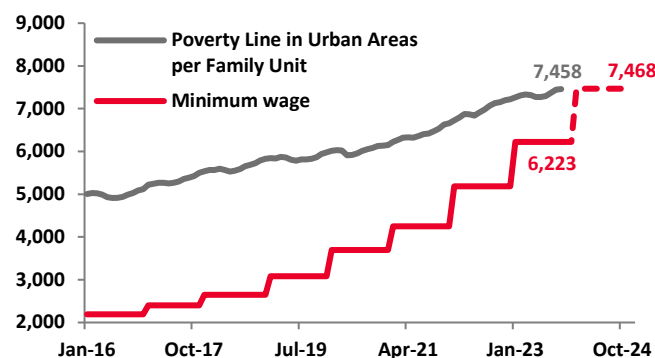
Document for distribution among the general public

In 2021, another goal of \$226 per day was introduced, which would be surpassed with today's increase. Nevertheless, the President of CONASAMI, Luis Munguía, commented last year that they were seeking a level of \$260 per day by the end of this administration given accumulated inflationary pressures. However, last month, Munguía expressed that the goal was a 100% recovery in real terms vs. 2018's figure. Considering accumulated inflation since 2H-November 2018 to the 1st fortnight of the same month this year, the reference would stand at \$247.30. As such, with today's adjustment they will likely fulfill the goal of maintaining purchasing power through 2024.

Additional progress needed to cover the 'Poverty Line in Urban Areas per Family Unit'. In its 2021-2024 Institutional Program, the CONASAMI proposed reaching 100% of the 'Poverty Line in Urban Areas per Family Unit' (PLUAF). The latter is a monetary reference of the minimum income necessary for a family to buy the food and non-food baskets each month in urban areas. It is calculated from CONEVAL's estimate of the 'Urban Income Poverty Line' (individual) –which contemplates a basic basket of food and non-food goods and services– multiplied by 1.7 times to convert it to a family unit. Until October 2023, the equivalent monthly income based on this line would be around \$7,458.27 (see graph below, left). Meanwhile, the monthly income with the minimum wage that will take effect next year would be around \$7,467.90. Therefore, the gap would cease to exist. Nevertheless, an increase of just 0.13% in prices would be needed for a shortfall to materialize again.

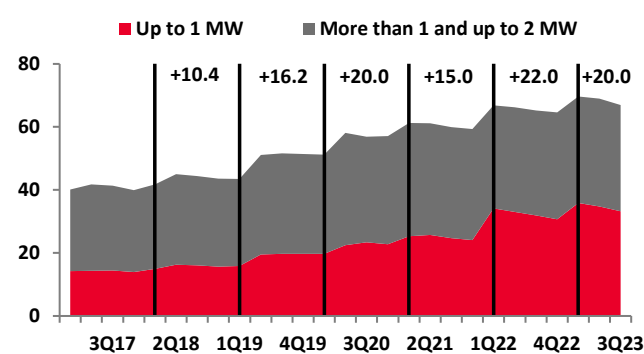
The agreement was unanimous once again, benefiting close to 40.3% of workers affiliated to IMSS. According to comments from President López Obrador, the agreement was unanimous, supported by government entities, worker's unions, and the private sector. On the other hand, and as in previous years, this hike would benefit a greater share of the population. According to the *National Employment Survey* ("Encuesta Nacional de Ocupación y Empleo", ENOE, in Spanish) 33.3% of the labor force earned up to one MW as of 3Q23 (vs. 31.9% as of 3Q22), totaling around 19.7 million people (see chart below, right). According to Munguía, about 40.3% of total workers affiliated to IMSS would be benefited by this increase, representing close to 8.9 million employees.

Poverty Line in Urban Areas per Family Unit and Minimum Wage
MXN (monthly)



*From 2019 onwards, the amount refers only to the Minimum Wage that excludes the Northern Border
Source: Banorte with data from CONASAMI, Labor Ministry and IMSS

Employed population by income level
% of employed persons



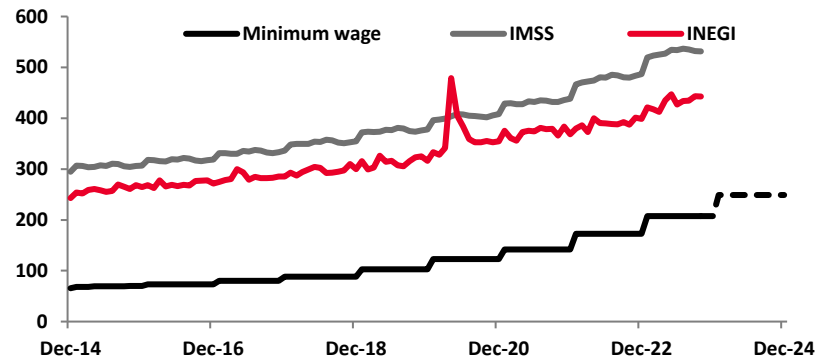
*Vertical lines indicate increase to the minimum wage
Source: Banorte with data from INEGI

We believe that the 'lighthouse effect' could be more relevant than in previous years, with labor market tightness helping to boost remaining wages. Data available so far suggests a higher impact of the increase in the minimum wage on the rest of the wage distribution through the so-called 'lighthouse effect'. Analyzing the impact with the average wage of IMSS-affiliated workers, so far in 2023 (until October) the latter has increased just over half (~55%) of what the MW has done, accelerating at the margin relative to what was seen in previous years.

Doing the same calculation with hourly wages within the ENOE (also until October), the increase is around 57% vs the MW. However, we believe that the effect next year could be higher considering: (1) More signs of labor market tightness –[with the unemployment rate below 3%](#) and a [positive output gap](#); (2) a higher proportion of the employed population that would benefit from this increase –as we described in the previous paragraph; and (3) an environment of higher inflationary pressures that has prevailed since the pandemic.

Daily wages*

Pesos per day, nominal values



*The daily wage from INEGI is obtained by multiplying the hourly wage times eight

Source: Banorte with data from CONASAMI, Labor Ministry and IMSS

We maintain our inflation estimate at 4.6% for YE24. We believe that the most substantial effect of the increase in wages has been reflected in services within the CPI due to the cost structure of this sector. This is one of the few components where we have not seen a consolidation lower, remaining above 5% since mid-2022. Considering our call of a stronger ‘lighthouse effect’ next year, we think that the effect on inflation could be higher. However, the increase was very much in line with our expectations. Therefore, we maintain our year-end inflation estimate at 4.6%, above consensus within the latest central bank survey at 4.0%. We do this given that, in [our last update for said year](#), we had already elaborated on this risk.

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Paula Lozoya Valadez, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.



Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com
(55) 5268 - 1671



José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250



Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144



Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global Internacional
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000