

Poverty & Equity Brief

Latin America & the Caribbean

Mexico

October 2018

Progress towards poverty reduction and shared prosperity has been moderate, reflecting low levels of economic growth and significant income and growth disparities. The 2008 Global Financial Crisis and other prior output shocks encumbered poverty reduction until 2014. Moderate poverty (at US\$5.5/day per capita in 2011PPP) declined by only 4.0 percentage points between 2004 and 2014 compared to a 16.8 percentage point reduction in moderate poverty in the Latin America and the Caribbean over the same period. A new poverty series beginning in 2016 shows moderate poverty stood at 25.7 percent. Similarly, the official multidimensional poverty rate which combines income poverty with six indicators of social deprivation shows only a slight decline between 2010 and 2016; 46.1 percent of the population was classified as poor in 2010 compared to 43.6 percent in 2016.

Moderate improvements in poverty reduction seem to be a consequence of insufficient growth and redistribution. Mexico's economic growth averaged only 2.4 percent between 1980 and 2017, driven primarily by the expansion of services amidst an overall decline in manufacturing, particularly in labor-intensive industries. Capital accumulation has not been sufficient to support higher growth over the last four decades, while factor misallocation and informality are a drag on productivity growth. There are large differences between the industrialized north and the less well developed south, with limited convergence between them.

In 2016, 68 percent of the extremely poor lived in only six of Mexico's thirty-two states. Rural areas suffer a vicious cycle of low productivity, low investments in physical and human capital, and high poverty rates, particularly in the south of the country. At the same time, despite the positive effects of urbanization, most of Mexico's poor live in urban areas with challenges in the provision of services.

In addition, although it has narrowed slightly since 2008, income inequality remains high. Between 2010 and 2014, the annualized income growth of the bottom 40 percent of the income distribution grew by only 0.5 percent, compared to growth of 0.7 for the whole population.

POVERTY

	Number of Poor (million)	Rate (%)	Period
National Poverty Line	55.6	43.6	2016
International Poverty Line (Income) 20.1 in Mexican peso (2016) or US\$1.90 (2011 PPP) per day per capita	2.8	2.2	2016
International Poverty Line (Consumption) 20.1 in Mexican peso (2016) or US\$1.90 (2011 PPP) per day per capita	3.2	2.5	2016
Upper Middle Income Class Poverty Line (Income) 58.2 in Mexican peso (2016) or US\$5.50 (2011 PPP) per day per capita	32.8	25.7	2016

SHARED PROSPERITY

Annualized Income Growth per capita of the bottom 40 percent	0.51	2010-2014
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INEQUALITY

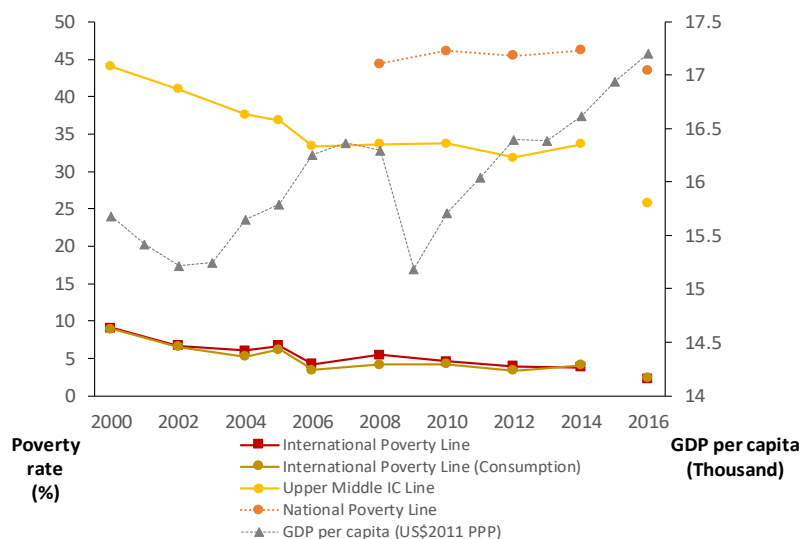
Gini Index (Income)	48.3	2016
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth	-0.24	2010-2014

GROWTH

Annualized GDP per capita growth	1.4	2010-2014
Annualized Income Growth per capita from Household Survey	0.74	2010-2014

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 19th 2018, and Global Monitoring Database for the rest.

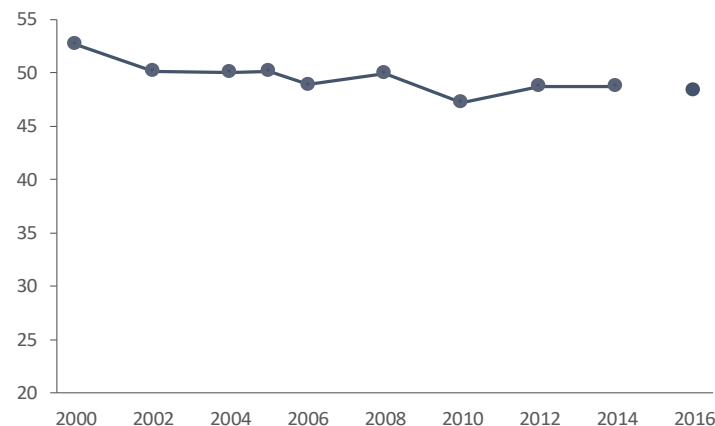
POVERTY HEADCOUNT RATE, 2000-2016



Source: World Bank using ENIGH/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2016

Gini Index



Source: World Bank using ENIGH/SEDLAC/GMD

KEY INDICATORS (distribution among groups)

	Upper Middle Income line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	80	20	34	66	2016
Rural population	55	45	61	39	2016
Males	74	26	41	59	2016
Females	75	25	39	61	2016
0 to 14 years old	63	37	54	46	2016
15 to 64 years old	78	22	35	65	2016
65 and older	81	19	32	68	2016
Without education (age 16 and older)	57	43	60	40	2016
Primary education (age 16 and older)	67	33	49	51	2016
Secondary education (age 16 and older)	78	22	37	63	2016
Tertiary/post-secondary education (age 16 and older)	95	5	10	90	2016

Source: World Bank using Global Monitoring Database

POVERTY DATA AND METHODOLOGY

Official poverty estimates in Mexico are released to the public every two years. In 2008, Mexico adopted an official multidimensional poverty measure that combines income-based monetary poverty with non-monetary dimensions of wellbeing, called social deprivations. Defined in the Constitution, these are education, health, food, social security, quality and space of the dwelling, and basic services in the dwelling. According to Mexico's methodology, an individual is considered poor if living below the wellbeing line and with at least one social deprivation. An individual is considered extremely poor if living below the minimum wellbeing line and with three or more social deprivations. The monetary component of poverty uses current income per adult equivalent, which includes labor income, public and private transfers, and capital rents. It excludes dwelling imputed rent, self-consumption, and temporal transfers. The wellbeing line is different in urban and rural areas. Values of income and expenditures produced in 2016 from a new version of the household survey are not directly comparable with the historical series, and therefore WB monetary poverty rates using international lines derived from these data should not be compared with pre-2016 numbers. When available, the WB uses consumption-based welfare measures global and regional poverty monitoring while Mexico's official poverty measure uses a measure based on income. For more detail on the 2016 data, visit the INEGI/CONEVAL web.

HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as the Socio-economic Database for Latin America and the Caribbean (SEDLAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SEDLAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SEDLAC project due to lack of data. Since an income-based welfare aggregate is widely used in the region for official poverty estimates, income-based microdata is used for the Global Monitoring Database (GMD) and Global Poverty Monitoring. SEDLAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.