

Poverty & Equity Brief

Latin America & the Caribbean

Mexico

October 2022

The poverty rate in Mexico rose from 41.9 percent to 43.9 percent between 2018 and 2020 driven by the economic contraction of the COVID-19 pandemic (55.7 million poor in 2020). In addition to lower household incomes, multiple social deprivations that correspond to the official multidimensional poverty index worsened, including a decline in food security and access to education. Income inequality has also been persistently high standing at 45.4 Gini points in 2020.

Economic recovery from the COVID-19 crisis has boosted household welfare, driven by improved labor market outcomes and higher non-labor incomes. According to recent labor force survey data, labor poverty, defined as the share of the population with labor earnings below the food poverty line, declined from 39.8 percent to 38.2 percent between the second quarter of 2021 and the second quarter of 2022. Such a decline in labor poverty is linked to higher per capita real labor incomes of 4.8 percent and an increase in employment equivalent to 2.2 million new jobs over the same period. However, the rise in employment has been mostly concentrated in low-pay jobs, those informal and with a salary range of less than the minimum wage, plus there is a significant gender wage gap with average real labor incomes of men being 1.3 times higher than those for women.

Non-labor incomes have also increased due to higher remittances which increased by 15.6 percent year-to-year by July 2022 (an increase of 5,513 million dollars). Higher remittances likely reduced moderate poverty as households in the middle part of the income distribution are the ones that receive most of these resources as a proportion of their total income.

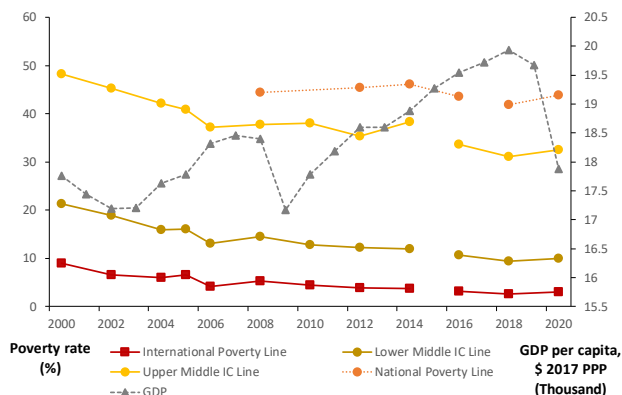
These gains in household incomes have nevertheless been eroded by higher inflation. Inflation in 2Q2022 was 7.8 percent (1.8 percentage points higher than the same quarter in 2021), which increased the monetary value of the food basket by 12 (12.6) percent in urban (rural) areas. Higher costs of the food basket likely affected the poorest and most vulnerable households who spend a higher share of their incomes on food staples.

Monetary poverty using the US\$6.85 a day (2017 PPPs) poverty line is projected to decline by 1.4 percentage points between 2021 and 2022, from 30.9 to 29.5 percent. This decline corresponds to approximately 1.6 million people moving out of poverty.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	55.7	43.9	2020
International Poverty Line 23.9 in Mexican peso (2020) or US\$2.15 (2017 PPP) per day per capita	4.0	3.1	2020
Lower Middle Income Class Poverty Line 40.6 in Mexican peso (2020) or US\$3.65 (2017 PPP) per day per capita	12.8	9.9	2020
Upper Middle Income Class Poverty Line 76.2 in Mexican peso (2020) or US\$6.85 (2017 PPP) per day per capita	42.0	32.5	2020
Multidimensional Poverty Measure		3.4	2020
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.70	2016-2020
INEQUALITY			
Gini Index		45.4	2020
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.38	2016-2020
GROWTH			
Annualized GDP per capita growth		-2.20	2016-2020
Annualized Income Growth per capita from Household Survey		-0.68	2016-2020
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.68	2016-2020

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of September 2022, and Global Monitoring Database for the rest.

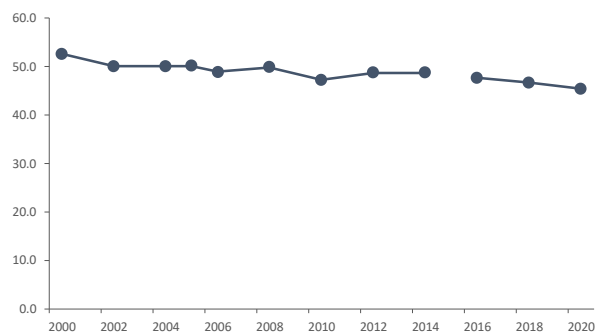
POVERTY HEADCOUNT RATE, 2000-2020



Source: World Bank using ENIGHNS/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2020

Gini Index



Source: World Bank using ENIGHNS/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2020	Upper Middle Income line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	72	28	35	65
Rural population	52	48	56	44
Males	68	32	39	61
Females	67	33	41	59
0 to 14 years old	54	46	55	45
15 to 64 years old	71	29	36	64
65 and older	78	22	28	72
Without education (16+)	53	47	56	44
Primary education (16+)	63	37	46	54
Secondary education (16+)	70	30	38	62
Tertiary/post-secondary education (16+)	89	11	15	85

Source: World Bank using ENIGHNS/SEDLAC/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

Multidimensional Poverty Measures: 2020 (% of population)

Monetary poverty (Income)	
Daily income less than US\$2.15 per person	3.1
Education	
At least one school-aged child is not enrolled in school	2.5
No adult has completed primary education	3.8
Access to basic infrastructure	
No access to limited-standard drinking water	3.9
No access to limited-standard sanitation	1.3
No access to electricity	0.2

Source: World Bank using ENIGHNS/SEDLAC/GMD

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. Specific indicators for each dimension were updated in 2020, and the 2016 and 2018 rounds were re-estimated to allow for comparability. 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, 2018 and 2020 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. The WB income aggregate used to measure international poverty rates has been updated to refer to the previous 6 months of income, making full use of existing information. For more details on the national methodology, visit the INEGI/CONEVAL web page.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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.