

# Poverty & Equity Brief

Latin America & the Caribbean

## Mexico

April 2020

Progress towards poverty reduction and shared prosperity has been moderate, reflecting low economic growth and significant income and growth disparities. The official multidimensional poverty rate which combines income poverty with six indicators of social deprivation shows only a slight decline between 2008 and 2018; 41.9 percent of the population was classified as multidimensionally poor in 2018 compared to 44.4 percent in 2008. A new poverty series beginning in 2016 shows a decline in moderate poverty (at US\$5.50/day per capita in 2011 PPP) from 25.7 percent in 2016 to 23 percent in 2018, with 29 million people continuing to be poor.

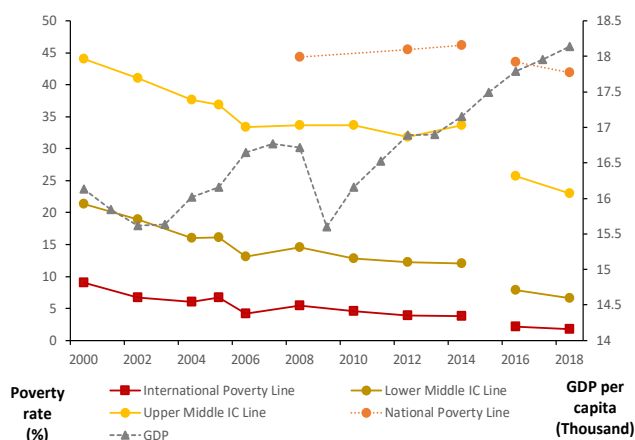
In addition, although it has narrowed slightly since 2008, income inequality remains high. Between 2016 and 2018 growth has been pro-poor, leading to a slight decline in inequality. However, with a Gini of 45.4 in 2018, inequality in Mexico is still among the highest in OECD countries. There are large differences between the industrialized north and the less well-developed south, with limited convergence between them. In 2018, 69 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, most of Mexico's poor live in urban areas with challenges in the provision of services.

A significant contraction of the economy is expected for 2020 as a result of the COVID-19 global pandemic. The slowdown in economic activity is expected to lead to an increase in monetary poverty in 2020. Employment is expected to decline in the formal sector, forcing many into inactivity or informality. At the same time, labor incomes in the informal sector are also likely to decline due to social distancing. Limited public health capacity could translate into increases in out-of-pocket health expenditures for COVID-19 affected households. The government has so far announced a limited response, including an advance payment, an increase in old-age social pensions and an increase in microcredit loans.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	52.4	41.9	2018
International Poverty Line 22.5 in Mexican peso (2018) or US\$1.90 (2011 PPP) per day per capita	2.2	1.7	2018
Lower Middle Income Class Poverty Line 37.9 in Mexican peso (2018) or US\$3.20 (2011 PPP) per day per capita	8.3	6.6	2018
Upper Middle Income Class Poverty Line 65.1 in Mexican peso (2018) or US\$5.50 (2011 PPP) per day per capita	29.0	23.0	2018
Multidimensional Poverty Measure		3.3	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.51	2010-2014
INEQUALITY			
Gini Index		45.4	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.24	2010-2014
GROWTH			
Annualized GDP per capita growth		1.50	2010-2014
Annualized Income Growth per capita from Household Survey		0.74	2010-2014
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-0.36	2010-2014

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

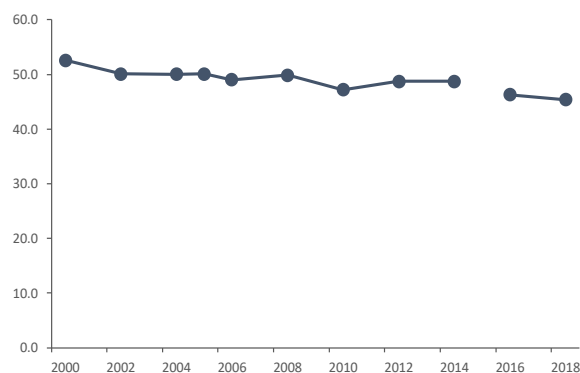
## POVERTY HEADCOUNT RATE, 2000-2018



Source: World Bank using ENIGHNS/SEDLAC/GMD

## INEQUALITY TRENDS, 2000-2018

### Gini Index



Source: World Bank using ENIGHNS/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	83	17	34	66	<b>Monetary poverty (Income)</b>	
Rural population	59	41	60	40	Daily income less than US\$1.90 per person	1.7
Males	77	23	39	61	<b>Education</b>	
Females	77	23	41	59	At least one school-aged child is not enrolled in school	2.5
0 to 14 years old	66	34	55	45	No adult has completed primary education	4.3
15 to 64 years old	81	19	35	65	<b>Access to basic infrastructure</b>	
65 and older	81	19	35	65	No access to limited-standard drinking water	4.2
Without education (16+)	59	41	60	40	No access to limited-standard sanitation	6.2
Primary education (16+)	69	31	50	50	No access to electricity	0.5
Secondary education (16+)	80	20	38	62		
Tertiary/post-secondary education (16+)	96	4	11	89		

Source: World Bank using ENIGHNS/SEDLAC/GMD

Source: World Bank using ENIGHNS/SEDLAC/GMD

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

## 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 and 2018 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 for global and regional poverty monitoring while Mexico's official poverty measure uses a measure based on income. For more details, visit the INEGI/CONEVAL web page.

## 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.