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Economic Downturn Affects Poverty Rate In Mexico

by LADB Staff

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No matter how much government officials insist that the country has made good progress in the fight against poverty, their assessments pale in comparison with projections indicating that the poverty rate is expected to worsen in the near term because of the impact of the global economic crisis, and particularly the downturn in the US economy. The weak US economy has affected Mexico's most important sources of foreign exchange, including general exports, oil exports, tourism, and remittances. It is no wonder that, along with a projected decline in Mexico's GDP rate this year, pundits are also anticipating a rise in the poverty rate. One projection suggested that as much as half the population had already fallen below the poverty level last year.

In discussing poverty statistics in Mexico, officials are quick to point out that the rate declined steadily between 1996 and 2006. Merino Juarez, deputy secretary for the Secretaria de Desarrollo Social (SEDESOL), said the steady progress against poverty will help Mexico better respond to the current crisis than it did to the economic downturn in 1995, which followed the 1994 peso devaluation (SourceMex, May 11, 1995). INEGI's most recent statistics are for 2006, but the agency is planning to release updated data in August or September from its latest survey on poverty, the Encuesta Nacional de Ingreso Gasto de los Hogares (ENIGH). That survey is based on 2008 conditions. "We do not anticipate a situation similar to the one that followed the 1994 crisis," said Merino. "This is because the Mexican government is in better shape to take action than it was at that time."

Other officials made similar statements. Gonzalo Hernandez Licona, executive secretary of the Consejo Nacional de Evaluacion de la Política de Desarrollo Social (CONEVAL), told participants at a forum at the Universidad de Guadalajara in late May that Mexico has implemented some development programs since the mid-1990s, which will make it easier to weather the current economic crisis. For example, he noted that the government has boosted its coverage of basic services to a greater percentage of the population and that the infant mortality rate has fallen during the past 10 years.

Among the programs that the government implemented since the 1995 crisis is Oportunidades (previously known as Progresá). The program provides direct assistance to 5 million families, or about one-fourth of the country's households. Eduardo Sojo, director of the government's statistics agency (Instituto Nacional de Estadísticas, Geografía e Informática, INEGI), also touted the government's poverty-reduction efforts. "Between 1996 and now, there has been an important drop in the poverty rate," Sojo told participants at a forum sponsored by the Colegio de la Frontera Norte (COLEF) in Tijuana. Upcoming report expected to show rise in number of poor But Sojo also offered a note of caution, acknowledging that the economic crisis, which among other things has caused remittances to fall sharply in recent years (SourceMex, June 03, 2009), could result in some increase in the poverty rate in the near term. He said he expected the 2008 ENIGH data to reflect this reality. "Frankly, it is very probable that we will see a light increase

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