

Poverty Reduction and Financing SMEs Impact on Development

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Poverty in Mexico (2008-2018)

- Poverty changes from 49.5 million (44.4% of total population) in 2008 to 52.4 million (41.9% of total population) in 2018.
- Persons living in extreme poverty: 12.3 million in 2008 (11% of total population); 9.3 million in 2018 (7.4% of total population).
- GDP grew at an average rate of only 2.3% per year in 2008-2018, insufficient to absorb growth in labour supply; real wages declined from 2008 to 2017 (see figure); Public policies were insufficient to lift out more people from poverty; pattern of growth has had a bias in favor of capital (profits)
- Two escape valves: informal economy (57% of WP & 23% of GDP in 2018), and expulsion of manpower

Mexico's real wages declined severely from 2008-2017

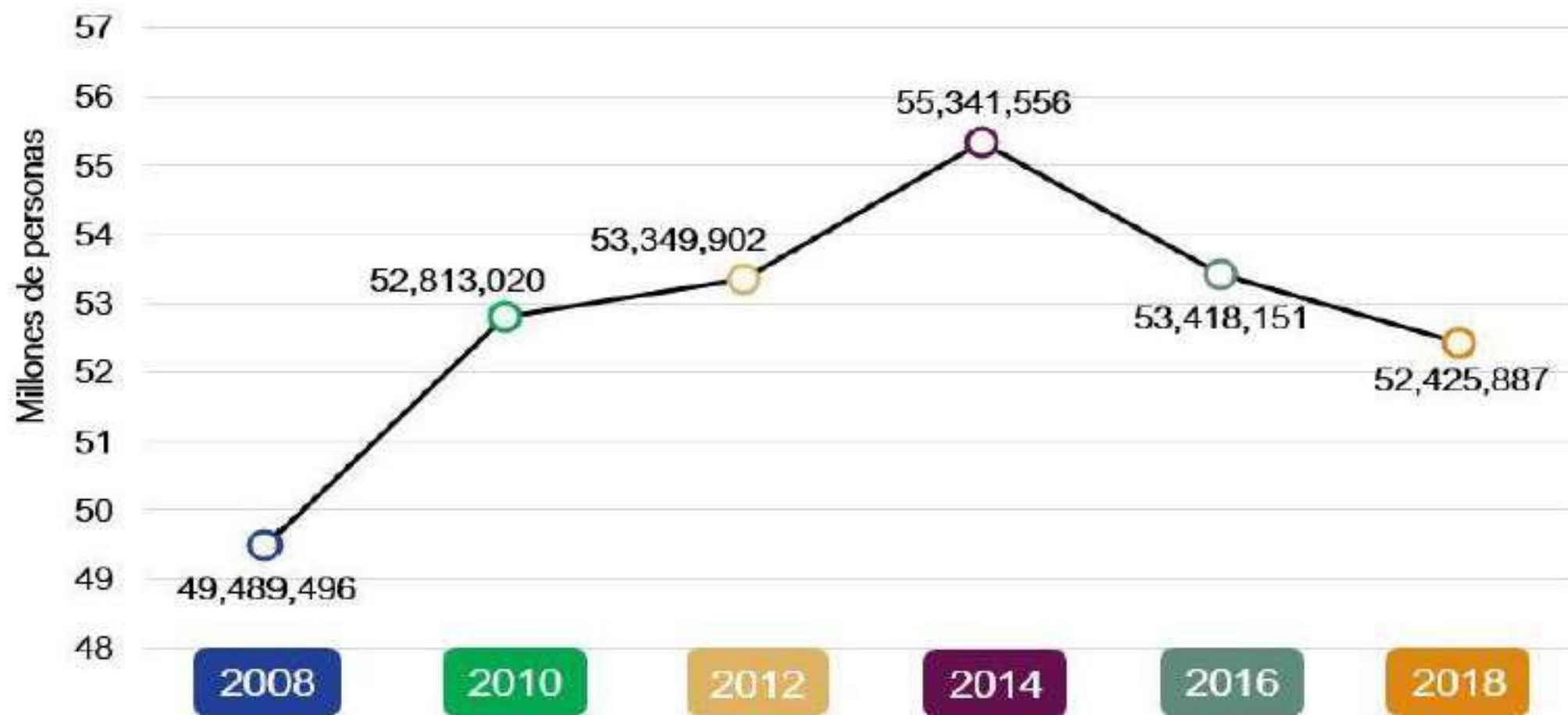


The Economist

Personas en situación de pobreza

Número de personas

2008 - 2018



Fuente: estimaciones del CONEVAL con base en el MCS-ENIGH 2008, 2010, 2012, 2014 y el MEC del MCS-ENIGH 2016 y 2018.

www.coneval.org.mx

Personas en situación de pobreza

Porcentaje

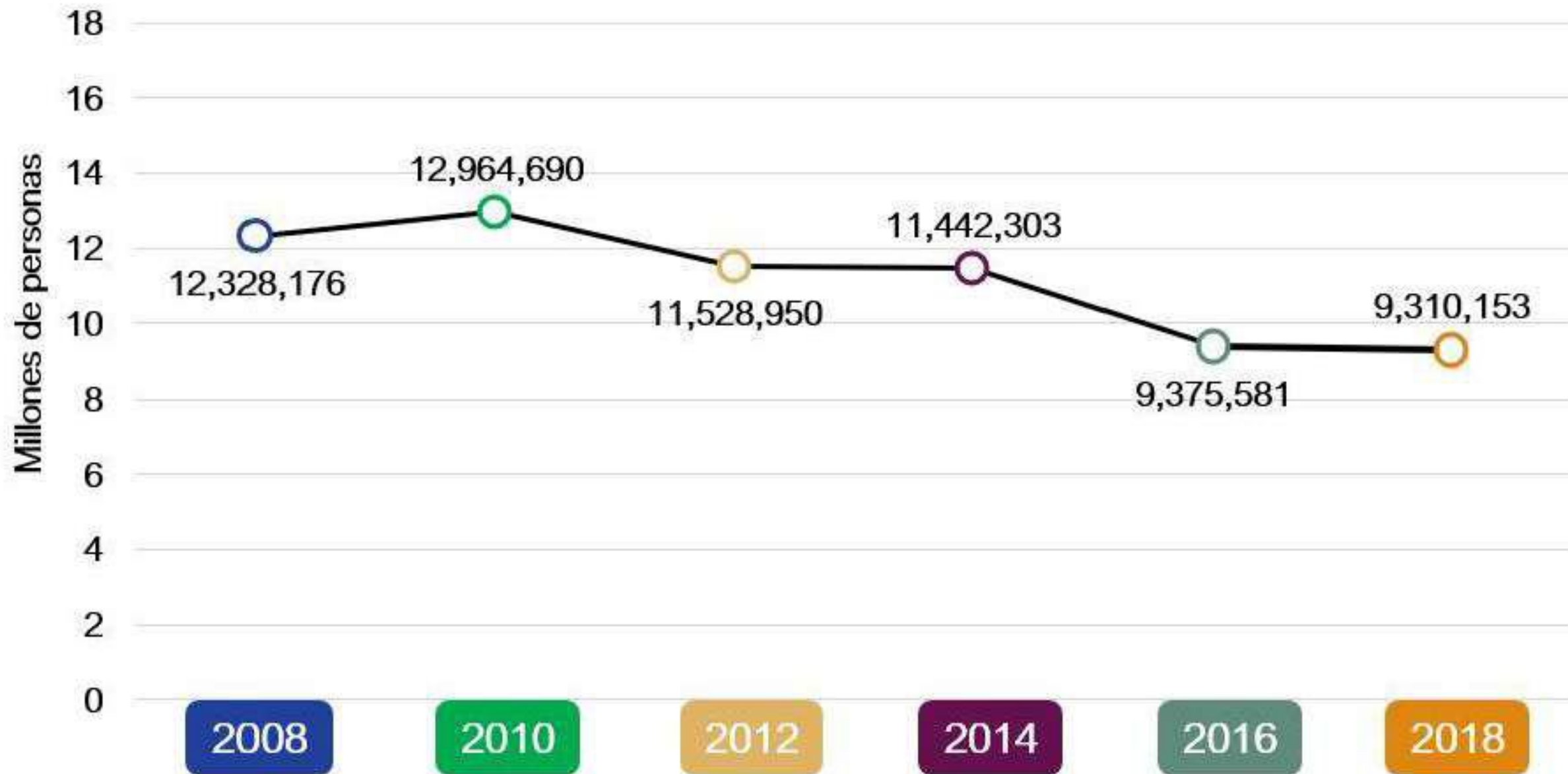
2008 - 2018



Personas en situación de pobreza extrema

Número de personas

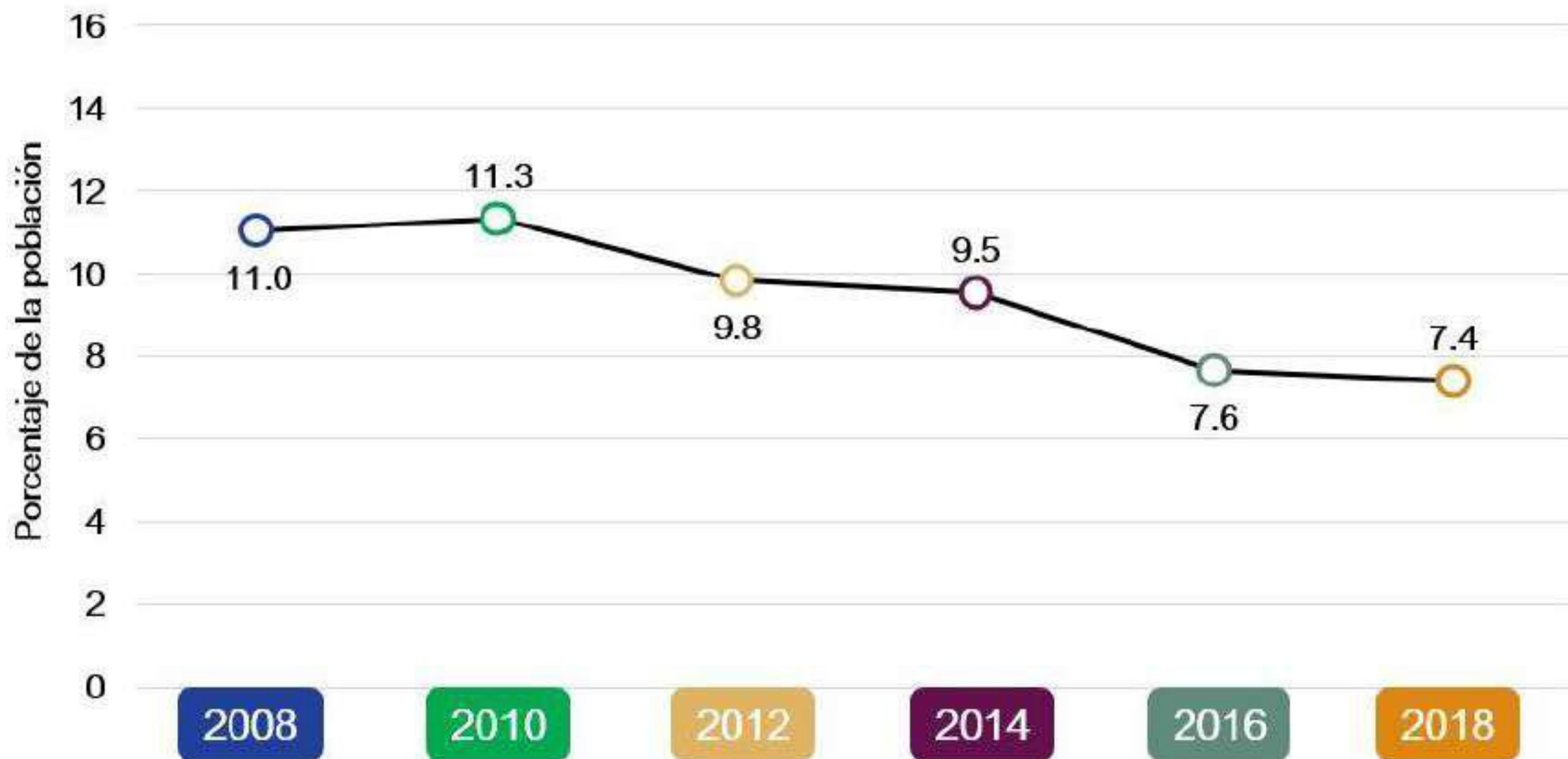
2008 - 2018



Personas en situación de pobreza extrema

Porcentaje

2008 - 2018



UNDP. Human Development Index 2018

Country	HDI Rank	GNP per capita (2011 PPP\$) 2017	Income inequality		
			Quintile ratio 2010-2017	Palma ratio 2010-2017	GINI coefficient 2010-2017
74. Mexico	0.774	16,944	8.8	2.3	43.4
85. China	0.752	15,270	9.2	2.1	42.2

Source. UNDP. Human Development Indices and Indicators, 2018 Statistical Update

Multidimensional Poverty Line Index

Country	Value	Population in MDP		Intensity of deprivation %	Population living below income poverty line %	
		%	Thousand 2017		National poverty line 2007-2019	PPP\$1.90 a day 2007-2017
China	0.016	3.9	54,437	41.3	3.1	0.7
Mexico	0.025	6.3	8,141	39.2	43.6	2.7

Source. UNDP-OPHI.* Global Multidimensional Poverty Index 2019

* Oxford Poverty & Human Development Initiative

China-Mexico comparison of GDP growth

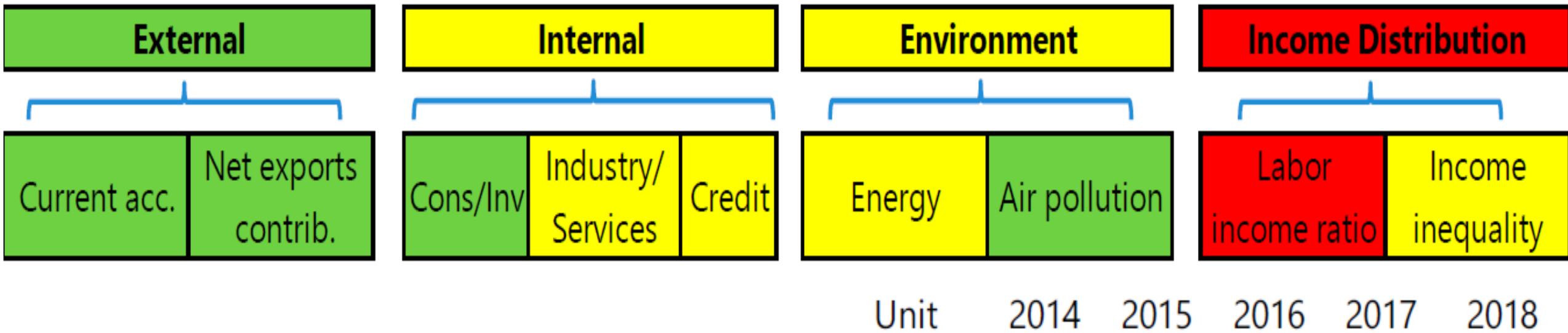
Country	1980		2012		
	GDP US\$billion	CH/MX	GDP US\$billion	1980-2012 (average)	CH/MX
China	191.1	0.93	8,522	12.1%	7.1
Mexico	205.1	0.93	1,201	5.9%	7.1

Source. World Bank, US \$ at current prices.

Reducing poverty in China

- China's GDP real grew at an average rate of 8.08% per year in 2008-2018 (IMF).
- When the GDP grew an averaged rate of 10% a year in 1980-2010 “over 500 million people,” were lifted out of poverty according to a study of The World Bank and The Development Research Center of State Council PRC in 2013.
- Government has announced further progress in the elimination of poverty beyond the “new normal” year (2012).
- Income distribution's improvement is one target pendant to fulfill (see figure).
- The Chinese very rapid economic growth has also been more favorable to capital than labor (which productivity has been an important level for economic growth).
- A scape valve: Floating population 244 million in 2017; total employed population in that year 776.4 million (CSY 2018).

Table 7. China: Rebalancing Scorecard



4. Income distribution

Gini	index number	0.469	0.462	0.465	0.467	...
Labor income	% of GDP	60.4	60.5	61.0	60.4	60.0
Urban/rural income gap	income ratio	2.75	2.73	2.72	2.71	2.69
Real disposable income growth: Median – Mean	%	4.4	2.3	2.0	0.0	2.1

Mexico's SMEs (OECD)

- There are 4 million SMES in Mexico; 97.4% are microenterprises, which together contribute 12.4% of Total Gross Production and employ 47.2% of the work force.
- Loan volumes to SMEs have increased in recent years, showing an average annual growth rate of 18.17% in the period from 2009 to 2016.
- At the end of 2016, 350 541 SME received bank financing, 1.3 times more companies than were financed in 2009.
- The average interest rate depends on the amount of credit and the size of the company. For large companies, the average interest rate is between 6% and 7% for simple and renewable credit, respectively. For SMEs, the rate ranges between 9.23% and 11% for the same products.
- In recent years, the Mexican Government has developed a series of initiatives to support entrepreneurs and strengthen the access of SMEs to finance in particular, including programs to promote youth and women entrepreneurship, as well as various measures to strengthen financial instrument alternatives, most in particular, the use of venture capital by SMEs.

Thank you

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