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NEW TAXES REALIGN MEXICAN HOUSEHOLD EXPENSES

- 30% of the Mexican household budget is allocated to products affected by the new taxes on flavored beverages and food
- Mexican households reallocated their budget and reduced spending in categories such as personal care and home care products
- The new taxes had the greatest impact on households in the lowest socioeconomic levels
- “Neighborhood stores” are affected the most

Mexico City, as of March X, 2015. – A 2014 analysis by market research firm Kantar Worldpanel Mexico shows that new taxes on food and flavored beverages affected Mexican households with a similar impact as in times of severe economic crisis.

The research, based on analysis of consumption patterns, found that Mexican households are forced to pay a price increase of just over 13 percent in these categories, which represents 30% of their spending. Inflation in the same period was only 4%.

The main conclusions of the investigation were:

- The new taxes affected to a greater extent the low socioeconomic status households (missing data)
- To maintain consumption of taxed categories, the Mexican households spending were readjusted and consumers were forced to use different strategies. These included seeking cheaper brands, buying smaller portions, decreasing frequency of consumption, changing the purchase channel and even resorting to buying products marketed informally
- Spending in categories of untaxed products, such as personal care and home care products, decreased 1.9 percent because the money was spent on taxed products

- In 2014, Mexican households had the same income from the previous year, while the price increase caused by new taxes to the third part of their shopping basket forced adjustments in their spending.
- 52 percent of sales in the traditional channel or “neighborhood store” come from taxable items (compared with 23% in supermarkets). These traditional channel stores rely in greater proportion on customers in the medium and low socio-economic levels.
- The traditional channel or "neighborhood store" had reduced sales by 3%, with a significant social impact, considering that 600,000 families depend on this channel to survive.

Regarding the stated objective of new taxes on food and flavored beverages, Kantar Worldpanel Mexico CEO Fabian Ghirardelly said that there is no statistical evidence thus far that the tax is reducing obesity rates in Mexico.

“The only thing we are sure of is that new taxes significantly affected the economy of Mexican households, especially those of low SES,” he said. “This scenario reminds the economic crisis of 2009 and the consumption behavior is similar to that year” he added.

Kantar Worldpanel Mexico CEO continuously studies more than 90,000 Mexican households. The conclusion is that a typical Mexican home, which had almost the same income in 2014 as in 2013- for salary adjustments and the Mexican economy which suffered a sharp increase in prices in nearly one-third of the shopping basket- generated a high stress on their spending. "This was even greater in the lower socio-economic levels, significantly impacting the neediest people in the country," he said.

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About Kantar Worldpanel México

A market research and analysis firm on patterns of consumption through continuous consumer panels in sectors of great consumption products (personal care, home, medicine, food, beverages), telecommunications, entertainment and oil, among others. The firm, with headquarters in Barcelona, Spain, has over 60 years of experience, a team of 3,000 people and services in more than 50 countries directly or through partners.