Effects of the IEPS on Flavored Beverages

As of December 2014
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The IEPS on beverages was a public policy measure publicized as a solution to fight obesity and other health risks.

The tax of $1 per liter represented a price increase of 15.3%. It caused a decrease of 2.5% in total sales volume.

It impacted consumption but DID NOT decrease the caloric intake in the population.

The reduction of the gross caloric content per day was only 6.3 calories, in a daily diet of 3,024 calories – 6.3 calories only represent 0.3% of the daily diet.
Data clearly show IEPS has GREATEST IMPACT on POOREST households

63.7% of the revenue
came from households with
low socio-economic status
Households in “poverty” paid
37.5% of the total tax

The population allocated
more resources to spend
on beverages and reduced the
consumption of other products

Source: KANTAR World Panel, January-December 2014
IEPS revenues from beverages and non-staple foods reached $31,540 million by the end of 2014. This, added to the $21,380 million of sales tax revenue on flavored beverages, represents a total of $52,920 million collected.

These revenues have not been spent on actions to fight obesity, nor in installations of water dispensers in schools.

1 Government projections in IEPS law.
*January-December 2014 (millions of pesos) Represents January-December because the IEPS is collected a month later.
*Source: Home and Public Credit Secretary
Economic Impact

The IEPS had a negligible effect in the reduction of calorie intake but had major negative economic effects. More than 1,700 jobs were lost in the Mexican beverage industry itself. It also discouraged infrastructure investments by the Mexican Beverages Industry.

1,700 jobs lost in the Mexican beverage industry

The indirect impact on employment and/or income is estimated at 7,100 workers in the production chain of the beverage industry.
Effective measures to fight obesity and related illnesses must focus on influencing the behavior and habits of the population. This can be accomplished with comprehensive actions of public policy and programs focused on education, prevention and promotion of healthy lifestyles.