

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.

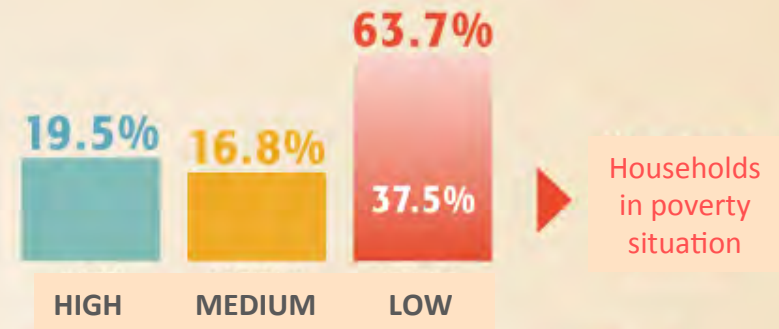


It impacted consumption but **DID NOT decrease the caloric intake** in the population

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.

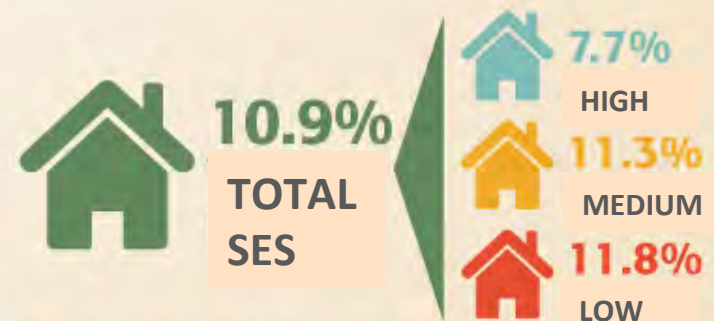
Data clearly show IEPS has **GREATEST IMPACT** on **POOREST** households

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



IEPS Revenue by socio-economic level of taxed households

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



Average expense on beverages in households by socio-economic status

Source: KANTAR World Panel, January-December 2014

IEPS: Health measure OR tax collection tool?

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.



Annual
Estimated ¹



Collection
as of December*



% of collections
vs. estimated

Flavored Beverages



Annual
Estimated ¹



Collection
as of December*



% of collections
vs. estimated

Non-stapled Foods

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



1,700 jobs
lost in the Mexican
beverage industry

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

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**

